



Randfontein Local Municipality  
(Registration number GT482)  
Annual Financial Statements  
for the year ended 30 June 2015

# Randfontein Local Municipality

(Registration number GT482)

Annual Financial Statements for the year ended 30 June 2015

## General Information

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### Legal form of entity

Local Municipality

### Nature of business and principal activities

- Provision of a democratic and accountable local government for communities in the Randfontein area;
- Ensuring the provision of municipal services to these communities in a sustainable manner;
- Promotion of social and economic development;
- Promotion a safe and healthy environment; and
- Encourage the involvement of communities and community organisations in the matters of local government in the Randfontein area.

### Mayoral committee

Khumalo ME (Executive Mayor)  
Mahuma B (Speaker)  
Legoete YI (Council Whip)  
Gama ML (Local Economic Development)  
Grobler MC (Finance)  
Kimane MT (Waste and Environment Services; Ward 1)  
Matakane SS (Development Planning)  
Matshuisa LS (Public Safety; Ward 16)  
Matshogo FO (MPAC)  
Matuwane PT (Social services)  
Ntsepo X (Corporate Support Services; Ward 2)  
Sampson A (Infrastructure; Ward 5)

#### Councillors:

Bock M (Ward 10)  
Bogale MJ (Ward 14)  
Cloete D (Ward 20)  
Dick P (Ward 9)  
Du Plessis EP (Ward 6)  
Erasmus GA (Ward 4)  
Faku PK (Ward 22)  
Harrison C (Ward 7)  
Kutoane MJJ (Ward 17)  
Matebesi B (Ward 1)  
Mbangeni MJ (Ward 12)  
Mogapi KD (Ward 18)  
Mogale MD (Ward 19)  
Mtyotywa M (Ward 11)  
Nawa SW (Ward 15)  
Rooskrantz BS (Ward 8)  
Sello MM (Ward 13)  
Van Tonder AJ (Ward 3)

#### Proportional Representative Councillors:

Bezuidenhout GP  
Beaufort EJR  
De Lange EW  
Dreyer BC  
Francis PL

# Randfontein Local Municipality

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## General Information

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	Handula SS
	Kruger G
	Mananiso TB
	Mapena PS
	Mavuso TBN
	May S
	Ndebele GM
	Ndlela N
	Simon P
<b>Municipal demarcation code</b>	GT482
<b>Grading of local authority</b>	Grade 4
<b>Capacity of local authority</b>	High capacity
<b>Accounting Officer (Acting)</b>	Steyn L
<b>Chief Finance Officer (CFO)</b>	Kgatla S
<b>Registered office</b>	Corner Sutherland & Pollock street Randfontein 1760
<b>Business address</b>	Corner Sutherland & Pollock Streets Randfontein 1760
<b>Postal address</b>	P O Box 218 Randfontein 1760
<b>Bankers</b>	ABSA Bank Ltd
<b>Auditors</b>	Auditor-General of South Africa
<b>Attorneys</b>	Bhika Calitz Attorneys Fick Attorneys Geldenhuys Van Ryneveld Attorneys Legwale Attorneys Malatji Attorneys Matseke Attorneys Motlatsi Seleke Attorneys Naidoo and Associates Incorporated Steyn and Steyn Attorneys Thaanyane Attorneys

# Randfontein Local Municipality

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### Abbreviations

DBSA	Development Bank of Southern Africa
GRAP	Generally Recognised Accounting Practice
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant

# **Randfontein Local Municipality**

(Registration number GT482)

Annual Financial Statements for the year ended 30 June 2015

## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 5 to 112, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on his behalf by:

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**Accounting Officer**

**L. Steyn**

**31 August 2015**

# **Randfontein Local Municipality**

(Registration number GT482)

Annual Financial Statements for the year ended 30 June 2015

## **Accounting Officer's Report**

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The accounting officer submits his report for the year ended 30 June 2015.

### **1. Review of activities**

#### **Main business and operations**

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in my opinion require any further comment.

Net deficit of the municipality was R 56 230 750 (2014: deficit R 98 453 525).

### **2. Going concern**

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is continued funding by national government for operational and capital activities.

### **3. Subsequent events**

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year to the date of this report.

### **4. Accounting Officer**

The acting accounting officer of the municipality during the year and to the date of this report is as follows:

Name  
Steyn L

### **5. Corporate governance**

#### **General**

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

# Randfontein Local Municipality

(Registration number GT482)

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	31 510 310	52 892 929
Receivables from exchange transactions	4	42 432 050	40 067 231
Receivables from non-exchange transactions	5	35 752 077	27 832 216
Other receivables from non-exchange transactions		-	1 316 620
VAT receivable	6	7 017 833	4 406 544
Prepayments		426 085	-
Inventories	7	3 685 427	4 406 593
Current portion of long term receivables	8	1 800 127	1 608 028
		<b>122 623 909</b>	<b>132 530 161</b>
<b>Non-Current Assets</b>			
Other financial assets	9	10 865 792	10 232 480
Long term receivables	8	4 312 148	5 175 094
Biological assets that form part of an agricultural activity	10	788 424	754 492
Investment property	11	219 945 481	243 701 471
Property, plant and equipment	12	2 279 342 665	2 311 724 031
Intangible assets	13	36 970 898	37 992 806
Heritage assets	14	1 936 663	1 820 750
		<b>2 554 162 071</b>	<b>2 611 401 124</b>
<b>Total Assets</b>		<b>2 676 785 980</b>	<b>2 743 931 285</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	15	210 121 576	220 574 200
Payables from non-exchange transactions	16	2 595 001	2 485 107
Finance lease obligation	17	-	9 012 535
Other financial liabilities	18	1 896 937	1 636 499
Unspent conditional grants and receipts	19	17 065 076	21 910 257
Consumer deposits	20	31 608 115	28 751 614
Provisions	21	1 366 672	1 245 253
		<b>264 653 377</b>	<b>285 615 465</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	18	6 193 294	8 090 232
Provisions	21	7 377 025	3 261 269
Employee benefit obligations	22	77 282 623	69 569 819
		<b>90 852 942</b>	<b>80 921 320</b>
<b>Total Liabilities</b>		<b>355 506 319</b>	<b>366 536 785</b>
<b>Net Assets</b>			
Accumulated surplus		2 319 608 719	2 375 839 471
Reserves			
Revaluation reserve		1 670 942	1 555 029
<b>Total Net Assets</b>		<b>2 321 279 661</b>	<b>2 377 394 500</b>

\* See Note 48

# Randfontein Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	24	535 428 749	496 532 640
Sale of houses		-	59 940
Rental of facilities and equipment	25	2 153 135	1 963 019
Interest received - trading	26	7 531 093	12 863 582
Interest received - investment	27	3 096 247	2 339 429
Licences and permits		12 237	25 844
Income from agency services	28	15 415 024	14 878 768
Other income	29	7 737 979	4 298 526
Other farming income	30	163 024	731 802
<b>Total revenue from exchange transactions</b>		<b>571 537 488</b>	<b>533 693 550</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Fines		10 387 140	8 806 180
Property rates	31	106 373 868	74 975 018
<b>Transfer revenue</b>			
Government grants and subsidies	32	160 955 459	144 711 259
Public contributions and donations		5 122 385	9 979 633
<b>Total revenue from non-exchange transactions</b>		<b>282 838 852</b>	<b>238 472 090</b>
<b>Total revenue</b>		<b>854 376 340</b>	<b>772 165 640</b>
<b>Expenditure</b>			
Employee related costs	33	(220 396 864)	(209 424 826)
Remuneration of councillors	34	(16 224 527)	(14 071 932)
Debt impairment	35	(23 008 388)	(40 795 993)
Depreciation, amortisation and impairment	36	(85 397 061)	(87 596 063)
Finance costs	37	(20 959 354)	(24 488 184)
Repairs and maintenance		(22 165 248)	(16 314 767)
Bulk purchases	38	(363 120 192)	(329 571 713)
Contracted services	39	(33 423 223)	(25 439 886)
Grants and subsidies paid	40	(420 000)	(420 000)
General expenses	41	(94 154 327)	(96 054 053)
Loss on disposal of assets		(28 113 056)	(15 642 081)
<b>Total expenditure</b>		<b>(907 382 240)</b>	<b>(859 819 498)</b>
<b>Operating surplus/ (deficit)</b>			
Fair value adjustments	42	(53 005 900)	(87 653 858)
		(3 224 850)	(10 799 667)
<b>Surplus/ (deficit) for the year</b>		<b>(56 230 750)</b>	<b>(98 453 525)</b>

\* See Note 48

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## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	1 978 279	2 423 705 644	2 425 683 923
Adjustments			
Correction of errors (refer to note 48)	-	50 587 346	50 587 346
<b>Balance at 01 July 2013 as restated*</b>	<b>1 978 279</b>	<b>2 474 292 990</b>	<b>2 476 271 269</b>
Changes in net assets			
Revaluation of heritage assets	(423 250)	-	(423 250)
Net income/ (losses) recognised directly in net assets	(423 250)	-	(423 250)
Deficit for the year	-	(98 453 519)	(98 453 519)
Total recognised income and expenses for the year	(423 250)	(98 453 519)	(98 876 769)
Total changes	(423 250)	(98 453 519)	(98 876 769)
<b>Restated* Balance at 01 July 2014</b>	<b>1 555 029</b>	<b>2 375 839 472</b>	<b>2 377 394 501</b>
Changes in net assets			
Revaluation of heritage assets	115 913	-	115 913
Net income/ (losses) recognised directly in net assets	115 913	-	115 913
Surplus/(deficit) for the year	-	(56 230 753)	(56 230 753)
Total recognised income and expenses for the year	115 913	(56 230 753)	(56 114 840)
Total changes	115 913	(56 230 753)	(56 114 840)
<b>Balance at 30 June 2015</b>	<b>1 670 942</b>	<b>2 319 608 719</b>	<b>2 321 279 661</b>

\* See Note 48

# Randfontein Local Municipality

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## Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		648 981 912	578 411 256
Grants		156 110 278	120 791 521
Interest received-investment		3 096 247	2 339 429
		<u>808 188 437</u>	<u>701 542 206</u>
<b>Payments</b>			
Employee costs		(228 908 587)	(207 240 550)
Suppliers		(517 656 959)	(401 848 404)
Finance costs		(20 683 266)	(22 630 320)
Grants paid		(420 000)	(420 000)
		<u>(767 668 812)</u>	<u>(632 139 274)</u>
<b>Net cash flows from operating activities</b>	44	<b><u>40 519 625</u></b>	<b><u>69 402 932</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	12	(109 283 718)	(74 205 419)
Proceeds from sale of property, plant and equipment	12	(25 640 248)	(6 111 581)
Proceeds from sale of investment property	11	20 497 208	4 459 697
Purchase of intangible assets	13	-	(1 976 942)
Increase in other financial assets		(633 313)	(522 251)
Increase in long term receivables		4 843 757	(5 958 984)
<b>Net cash flows from investing activities</b>		<b><u>(110 216 314)</u></b>	<b><u>(84 315 480)</u></b>
<b>Cash flows from financing activities</b>			
Decrease in other financial liabilities		(1 636 499)	(1 408 337)
Decrease in finance lease obligations		(9 288 624)	(23 661 950)
<b>Net cash flows from financing activities</b>		<b><u>(10 925 123)</u></b>	<b><u>(25 070 287)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(80 621 812)</u></b>	<b><u>(39 982 835)</u></b>
Cash and cash equivalents at the beginning of the year		52 892 917	49 144 411
<b>Cash and cash equivalents at the end of the year</b>	3	<b><u>31 510 310</u></b>	<b><u>52 892 917</u></b>

\* See Note 48

# Randfontein Local Municipality

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## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Note 57)
<b>Figures in Rand</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	616 310 164	2 000 000	<b>618 310 164</b>	535 428 749	<b>(82 881 415)</b>	57.1
Rental of facilities and equipment	2 533 126	-	<b>2 533 126</b>	2 153 135	<b>(379 991)</b>	57.2
Interest received - trading	8 496 000	-	<b>8 496 000</b>	7 531 093	<b>(964 907)</b>	57.3
Agency services	48 852 000	(31 860 000)	<b>16 992 000</b>	15 415 024	<b>(1 576 976)</b>	57.4
Licences and permits	85 788	-	<b>85 788</b>	12 237	<b>(73 551)</b>	57.5
Other income	13 570 945	(2 372 000)	<b>11 198 945</b>	7 737 979	<b>(3 460 966)</b>	57.6
Other farming income	-	-	-	163 024	<b>163 024</b>	57.7
Interest received - investment	1 508 040	300 000	<b>1 808 040</b>	3 096 247	<b>1 288 207</b>	57.8
<b>Total revenue from exchange transactions</b>	<b>691 356 063</b>	<b>(31 932 000)</b>	<b>659 424 063</b>	<b>571 537 488</b>	<b>(87 886 575)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Fines	4 005 878	-	<b>4 005 878</b>	10 387 140	<b>6 381 262</b>	57.9
Property rates	112 731 753	-	<b>112 731 753</b>	106 373 868	<b>(6 357 885)</b>	57.10
<b>Transfer revenue</b>						
Government grants and subsidies	131 725 281	500 000	<b>132 225 281</b>	160 955 459	<b>28 730 178</b>	57.11
Public contributions and donations	-	-	-	5 122 385	<b>5 122 385</b>	57.12
<b>Total revenue from non-exchange transactions</b>	<b>248 462 912</b>	<b>500 000</b>	<b>248 962 912</b>	<b>282 838 852</b>	<b>33 875 940</b>	
<b>Total revenue</b>	<b>939 818 975</b>	<b>(31 432 000)</b>	<b>908 386 975</b>	<b>854 376 340</b>	<b>(54 010 635)</b>	
<b>Expenditure</b>						
Employee related costs	(231 717 705)	(995 909)	<b>(232 713 614)</b>	(220 396 864)	<b>12 316 750</b>	57.13
Remuneration of councillors	(16 464 986)	-	<b>(16 464 986)</b>	(16 224 527)	<b>240 459</b>	57.14
Depreciation and amortisation	(109 256 292)	5 267 402	<b>(103 988 890)</b>	(85 397 061)	<b>18 591 829</b>	57.15
Finance costs	(16 316 984)	-	<b>(16 316 984)</b>	(20 959 354)	<b>(4 642 370)</b>	57.16
Debt impairment	(33 910 000)	-	<b>(33 910 000)</b>	(23 008 388)	<b>10 901 612</b>	57.17
Repairs and maintenance	(28 533 807)	-	<b>(28 533 807)</b>	(22 165 248)	<b>6 368 559</b>	57.18
Bulk purchases	(339 767 207)	-	<b>(339 767 207)</b>	(363 120 192)	<b>(23 352 985)</b>	57.19
Contracted services	(28 399 150)	(500 000)	<b>(28 899 150)</b>	(33 423 223)	<b>(4 524 073)</b>	57.20
Grants and subsidies paid	(420 000)	-	<b>(420 000)</b>	(420 000)	-	57.21
General expenses	(189 942 871)	36 131 264	<b>(153 811 607)</b>	(94 154 328)	<b>59 657 279</b>	57.22
<b>Total expenditure</b>	<b>(994 729 002)</b>	<b>39 902 757</b>	<b>(954 826 245)</b>	<b>(879 269 185)</b>	<b>75 557 060</b>	
<b>Operating deficit</b>	<b>(54 910 027)</b>	<b>8 470 757</b>	<b>(46 439 270)</b>	<b>(24 892 845)</b>	<b>21 546 425</b>	
Loss on disposal of assets and liabilities	-	-	-	(28 113 056)	<b>(28 113 056)</b>	57.23
Fair value adjustments	-	-	-	(3 224 850)	<b>(3 224 850)</b>	57.24
<b>Deficit before taxation</b>	<b>(54 910 027)</b>	<b>8 470 757</b>	<b>(46 439 270)</b>	<b>(56 230 751)</b>	<b>(9 791 481)</b>	

# Randfontein Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Note 57)
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(54 910 027)	8 470 757	(46 439 270)	(56 230 751)	(9 791 481)	

# Randfontein Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Note 57)
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	8 525 460	-	<b>8 525 460</b>	3 685 427	<b>(4 840 033)</b>	57.25
Receivables from non-exchange transactions	10 046 192	-	<b>10 046 192</b>	35 752 077	<b>25 705 885</b>	57.26
VAT receivable	-	-	-	7 017 833	<b>7 017 833</b>	57.27
Prepayments	-	-	-	426 085	<b>426 085</b>	
Receivables from exchange transactions	39 247 504	-	<b>39 247 504</b>	42 432 050	<b>3 184 546</b>	57.28
Current portion of long term receivables	23 625 040	-	<b>23 625 040</b>	1 800 127	<b>(21 824 913)</b>	57.29
Cash and cash equivalents	49 099 808	(6 449 808)	<b>42 650 000</b>	31 510 310	<b>(11 139 690)</b>	57.30
	<b>130 544 004</b>	<b>(6 449 808)</b>	<b>124 094 196</b>	<b>122 623 909</b>	<b>(1 470 287)</b>	
<b>Non-Current Assets</b>						
Biological assets that form part of an agricultural activity	3 534 265	-	<b>3 534 265</b>	788 424	<b>(2 745 841)</b>	57.31
Investment property	127 620 638	-	<b>127 620 638</b>	219 945 481	<b>92 324 843</b>	57.32
Property, plant and equipment	2 451 702 956	-	<b>2 451 702 956</b>	2 279 342 666	<b>(172 360 290)</b>	57.33
Intangible assets	39 334 113	-	<b>39 334 113</b>	36 970 899	<b>(2 363 214)</b>	57.35
Heritage assets	-	-	-	1 936 663	<b>1 936 663</b>	57.34
Other financial assets	14 951 249	-	<b>14 951 249</b>	10 865 792	<b>(4 085 457)</b>	57.36
Long term receivables	93 657 766	-	<b>93 657 766</b>	4 312 148	<b>(89 345 618)</b>	57.29
	<b>2 730 800 987</b>	-	<b>2 730 800 987</b>	<b>2 554 162 073</b>	<b>(176 638 914)</b>	
<b>Total Assets</b>	<b>2 861 344 991</b>	<b>(6 449 808)</b>	<b>2 854 895 183</b>	<b>2 676 785 982</b>	<b>(178 109 201)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Other financial liabilities	1 380 600	-	<b>1 380 600</b>	1 896 937	<b>516 337</b>	57.37
Payables from exchange transactions	135 028 441	-	<b>135 028 441</b>	210 121 579	<b>75 093 138</b>	57.39
Payables from non-exchange transactions	-	-	-	2 595 001	<b>2 595 001</b>	57.40
Consumer deposits	27 684 865	-	<b>27 684 865</b>	31 608 115	<b>3 923 250</b>	57.41
Unspent conditional grants and receipts	-	-	-	17 065 076	<b>17 065 076</b>	57.42
Provisions	16 953 888	-	<b>16 953 888</b>	1 366 672	<b>(15 587 216)</b>	57.43
	<b>181 047 794</b>	-	<b>181 047 794</b>	<b>264 653 380</b>	<b>83 605 586</b>	
<b>Non-Current Liabilities</b>						
Other financial liabilities	32 100 142	-	<b>32 100 142</b>	6 193 294	<b>(25 906 848)</b>	57.37
Employee benefit obligations	56 619 054	-	<b>56 619 054</b>	77 282 623	<b>20 663 569</b>	57.44
Provisions	-	-	-	7 377 025	<b>7 377 025</b>	57.42
	<b>88 719 196</b>	-	<b>88 719 196</b>	<b>90 852 942</b>	<b>2 133 746</b>	
<b>Total Liabilities</b>	<b>269 766 990</b>	-	<b>269 766 990</b>	<b>355 506 322</b>	<b>85 739 332</b>	
<b>Net Assets</b>	<b>2 591 578 001</b>	<b>(6 449 808)</b>	<b>2 585 128 193</b>	<b>2 321 279 660</b>	<b>(263 848 533)</b>	

# Randfontein Local Municipality

(Registration number GT482)

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Note 57)
<b>Net Assets</b>						
<b>Reserves</b>						
Revaluation reserve	6 350 780	-	6 350 780	1 670 942	(4 679 838)	
Accumulated surplus	2 585 227 221	(6 449 808)	2 578 777 413	2 319 608 718	(259 168 695)	
<b>Total Net Assets</b>	<b>2 591 578 001</b>	<b>(6 449 808)</b>	<b>2 585 128 193</b>	<b>2 321 279 660</b>	<b>(263 848 533)</b>	

# Randfontein Local Municipality

(Registration number GT482)

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Note 57)
<b>Figures in Rand</b>						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Sale of goods and services	725 659 663	(34 688 574)	<b>690 971 089</b>	649 604 673	<b>(41 366 416)</b>	57.45
Grants	166 050 327	14 235 429	<b>180 285 756</b>	156 110 278	<b>(24 175 478)</b>	57.46
Interest income	8 071 200	300 000	<b>8 371 200</b>	2 899 571	<b>(5 471 629)</b>	57.47
	<b>899 781 190</b>	<b>(20 153 145)</b>	<b>879 628 045</b>	<b>808 614 522</b>	<b>(71 013 523)</b>	
<b>Payments</b>						
Suppliers and employees	(808 314 825)	33 248 910	<b>(775 065 915)</b>	(748 897 237)	<b>26 168 678</b>	57.49
Finance costs	(16 316 984)	-	<b>(16 316 984)</b>	(20 683 265)	<b>(4 366 281)</b>	57.50
Transfers and grants	(420 000)	-	<b>(420 000)</b>	(420 000)	-	57.51
	<b>(825 051 809)</b>	<b>33 248 910</b>	<b>(791 802 899)</b>	<b>(770 000 502)</b>	<b>21 802 397</b>	
<b>Net cash flows from operating activities</b>	<b>74 729 381</b>	<b>13 095 765</b>	<b>87 825 146</b>	<b>38 614 020</b>	<b>(49 211 126)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(52 656 459)	(23 865 640)	<b>(76 522 099)</b>	(56 114 449)	<b>20 407 650</b>	57.52
Proceeds from sale of property, plant and equipment	-	-	-	1 135 590	<b>1 135 590</b>	
Decrease in other financial assets	1 041 022	-	<b>1 041 022</b>	(633 313)	<b>(1 674 335)</b>	57.56
Increase in long term receivables	(5 467 779)	-	<b>(5 467 779)</b>	4 843 757	<b>10 311 536</b>	57.57
<b>Net cash flows from investing activities</b>	<b>(57 083 216)</b>	<b>(23 865 640)</b>	<b>(80 948 856)</b>	<b>(50 768 415)</b>	<b>30 180 441</b>	
<b>Cash flows from financing activities</b>						
Repayment of other financial liabilities	(19 181 268)	-	<b>(19 181 268)</b>	(1 636 500)	<b>17 544 768</b>	57.58
Increase in consumer deposits	1 616 253	34 000	<b>1 650 253</b>	-	<b>(1 650 253)</b>	57.59
Finance lease payments	-	-	-	(9 288 624)	<b>(9 288 624)</b>	57.60
<b>Net cash flows from financing activities</b>	<b>(17 565 015)</b>	<b>34 000</b>	<b>(17 531 015)</b>	<b>(10 925 124)</b>	<b>6 605 891</b>	
Net increase/(decrease) in cash and cash equivalents	81 150	(10 735 875)	<b>(10 654 725)</b>	(23 079 519)	<b>(12 424 794)</b>	
Cash and cash equivalents at the beginning of the year	6 668 655	46 636 068	<b>53 304 723</b>	52 892 917	<b>(411 806)</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>6 749 805</b>	<b>35 900 193</b>	<b>42 649 998</b>	<b>29 813 398</b>	<b>(12 836 600)</b>	

# Randfontein Local Municipality

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## Appropriation Statement

Figures in Rand

Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
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# Randfontein Local Municipality

(Registration number GT482)

Annual Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2015</b>											
<b>Financial Performance</b>											
Property rates	112 731 753	-	112 731 753	-		112 731 753	106 373 868		(6 357 885)	94 %	94 %
Service charges	616 310 164	-	616 310 164	-		616 310 164	535 428 749		(80 881 415)	87 %	87 %
Investment revenue	1 508 040	-	1 508 040	-		1 508 040	3 096 247		1 588 207	205 %	205 %
Transfers recognised - operational	131 725 281	500 000	132 225 281	-		132 225 281	160 955 459		28 730 178	122 %	122 %
Other own revenue	77 543 737	(31 932 000)	45 611 737	-		45 611 737	43 433 563		(2 178 174)	95 %	56 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>939 818 975</b>	<b>(31 432 000)</b>	<b>908 386 975</b>	-		<b>908 386 975</b>	<b>849 287 886</b>		<b>(59 099 089)</b>	<b>93 %</b>	<b>90 %</b>
Employee costs	(231 717 705)	(995 909)	(232 713 614)	-	-	(232 713 614)	(220 396 864)	-	12 316 750	95 %	95 %
Remuneration of councillors	(16 464 986)	-	(16 464 986)	-	-	(16 464 986)	(16 224 527)	-	240 459	99 %	99 %
Debt impairment	(33 910 000)	-	(33 910 000)			(33 910 000)	(23 008 388)	-	10 901 612	68 %	68 %
Depreciation and asset impairment	(109 256 292)	5 267 402	(103 988 890)			(103 988 890)	(85 397 061)	-	18 591 829	82 %	78 %
Finance charges	(16 316 984)	-	(16 316 984)	-	-	(16 316 984)	(20 959 354)	-	(4 642 370)	128 %	128 %
Materials and bulk purchases	(339 767 207)	-	(339 767 207)	-	-	(339 767 207)	(363 120 192)	-	(23 352 985)	107 %	107 %
Grants and subsidies paid	420 000	-	420 000	-	-	420 000	(420 000)	-	(840 000)	(100)%	(100)%
Other expenditure	(247 715 828)	35 631 264	(212 084 564)	-	-	(212 084 564)	(181 114 637)	-	30 969 927	85 %	73 %
<b>Total expenditure</b>	<b>(994 729 002)</b>	<b>39 902 757</b>	<b>(954 826 245)</b>	-	-	<b>(954 826 245)</b>	<b>(910 641 023)</b>	-	<b>44 185 222</b>	<b>95 %</b>	<b>92 %</b>
<b>Surplus/(Deficit)</b>	<b>(54 910 027)</b>	<b>8 470 757</b>	<b>(46 439 270)</b>	-		<b>(46 439 270)</b>	<b>(61 353 137)</b>		<b>(14 913 867)</b>	<b>132 %</b>	<b>112 %</b>

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Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Contributions recognised - capital and contributed assets	-	-	-	-		-	5 122 385		5 122 385	DIV/0 %	DIV/0 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>(54 910 027)</b>	<b>8 470 757</b>	<b>(46 439 270)</b>	-		<b>(46 439 270)</b>	<b>(56 230 752)</b>		<b>(9 791 482)</b>	<b>121 %</b>	<b>102 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>(54 910 027)</b>	<b>8 470 757</b>	<b>(46 439 270)</b>	-		<b>(46 439 270)</b>	<b>(56 230 752)</b>		<b>(9 791 482)</b>	<b>121 %</b>	<b>102 %</b>

### Capital Expenditure and Funds Sources

Total capital expenditure	65 559 949	24 603 729	90 163 678	-	90 163 678	72 316 361		(17 847 317)	80 %	110 %
<b>Sources of capital funds</b>										
Transfers recognised - capital	34 245 046	22 135 429	56 380 475	-	56 380 475	51 033 101		(5 347 374)	91 %	149 %
Internally generated funds	31 314 903	2 468 300	33 783 203	-	33 783 203	21 283 260		(12 499 943)	63 %	68 %
<b>Total sources of capital funds</b>	<b>65 559 949</b>	<b>24 603 729</b>	<b>90 163 678</b>	-	<b>90 163 678</b>	<b>72 316 361</b>		<b>(17 847 317)</b>	<b>80 %</b>	<b>110 %</b>

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Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash Flows</b>											
Net cashflows from operating activities	74 729 381	13 095 765	87 825 146	-	87 825 146	40 519 625		(47 305 521)	46 %	54 %	
Net cashflows from investing activities	(57 083 216)	(23 865 640)	(80 948 856)	-	(80 948 856)	(110 216 314)		(29 267 458)	136 %	193 %	
Net cash from financing activities	(17 565 015)	34 000	(17 531 015)	-	(17 531 015)	(10 925 123)		6 605 892	62 %	62 %	
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>81 150</b>	<b>(10 735 875)</b>	<b>(10 654 725)</b>	-	<b>(10 654 725)</b>	<b>(80 621 812)</b>		<b>(69 967 087)</b>	<b>757 %</b> (99 349)%		
Cash and cash equivalents at the beginning of the year	6 668 655	46 636 068	53 304 723	-	53 304 723	52 892 917		(411 806)	99 %	793 %	
<b>Cash and cash equivalents at year end</b>	<b>6 749 805</b>	<b>35 900 193</b>	<b>42 649 998</b>	-	<b>42 649 998</b>	<b>(27 728 895)</b>		<b>70 378 893</b>	<b>(65)%</b>	<b>(411)%</b>	

# Randfontein Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>2014</b>				
<b>Financial Performance</b>				
Property rates			74 975 018	
Service charges			496 532 640	
Investment revenue			2 339 429	
Transfers recognised - operational			144 711 259	
Other own revenue			47 824 862	
<b>Total revenue (excluding capital transfers and contributions)</b>			<b>766 383 208</b>	
Employee costs	-	-	- (214 984 795)	
Remuneration of councillors	-	-	- (14 071 932)	
Debt impairment	-	-	- (40 795 993)	
Depreciation and asset impairment	-	-	- (87 596 063)	
Finance charges	-	-	- (24 488 184)	
Materials and bulk purchases	-	-	- (329 571 712)	
Transfers and grants	-	-	- (420 000)	
Other expenditure	-	-	- (153 873 620)	
<b>Total expenditure</b>	-	-	<b>- (865 802 299)</b>	
<b>Surplus/(Deficit)</b>			<b>(99 419 091)</b>	
Transfers recognised - capital			39 149 743	
Contributions recognised - capital and contributed assets			9 979 633	
<b>Surplus (Deficit) after capital transfers and contributions</b>			<b>(50 289 715)</b>	
<b>Surplus/(Deficit) for the year</b>			<b>(50 289 715)</b>	

# Randfontein Local Municipality

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## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>Capital expenditure and funds sources</b>				
Total capital expenditure			114 426 060	
<b>Sources of capital funds</b>				
Transfers recognised - capital			39 149 743	
Internally generated funds			39 735 534	
<b>Total sources of capital funds</b>			<b>78 885 277</b>	
<b>Cash Flows</b>				
Net cashflows from operating activities			69 402 932	
Net cashflows from investing activities			(84 315 480)	
Net cashflows from financing activities			(25 070 287)	
<b>Net increase/(decrease) in cash and cash equivalents</b>			<b>(39 982 835)</b>	
Cash and cash equivalents at the beginning of the year			49 144 411	
<b>Cash and cash equivalents at year end</b>			<b>9 161 576</b>	

# Randfontein Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures have been rounded to the nearest Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

#### Receivables

The municipality assesses its receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

#### Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

# Randfontein Local Municipality

(Registration number GT482)

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Impairment testing

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

Value in use of non-cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21.

#### Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

#### Post employment benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 22.

#### Effective interest rate

The municipality uses the government bond rate to discount future cash flows.

#### Allowance for impairment

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

# Randfontein Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.3 Biological assets that form part of an agricultural activity

The municipality recognises biological assets that form part of an agricultural activity when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

### 1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services; or
- administrative purposes; or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

# Randfontein Local Municipality

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## Accounting Policies

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### 1.4 Investment property (continued)

The gain or loss arising from the derecognition of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Such a difference is recognised in surplus or deficit when the investment property is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial measurement property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on a straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

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### 1.5 Property, plant and equipment (continued)

Item	Average useful life
Land	Indefinite
Buildings	5 - 100 years
Infrastructure	5 - 100 years
Community assets	5 - 100 years
Other assets	3 - 10 years
Leased assets	3 - 7 years
Library books	3 - 50 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate; unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit; unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Such a difference is recognised in surplus or deficit when the item is derecognised.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

### 1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

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### 1.7 Intangible assets (continued)

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis to their estimated residual values as follows:

Item	Useful life
Servitudes	Indefinite
Computer software	3 -10 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such a difference is recognised in surplus or deficit when the intangible asset is derecognised.

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## **Accounting Policies**

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### **1.8 Heritage assets**

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

#### **Recognition**

The municipality recognises a heritage asset as an asset when it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 14.

#### **Initial measurement**

Heritage assets are initially recognised cost.

Where a heritage asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

#### **Subsequent measurement**

Subsequent to initial measurement heritage assets, whose fair value can be measured reliably, are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

#### **Impairment**

The municipality assesses at each reporting date whether there is an indication that a heritage asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### **Transfers**

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

#### **Derecognition**

Heritage assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such a difference is recognised in surplus or deficit when the heritage asset is derecognised.

### **1.9 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

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### 1.9 Financial instruments (continued)

#### Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost

#### Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measures at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabilities initially at fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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### 1.9 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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### 1.9 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

### Derecognition

#### Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

#### Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

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### 1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and building elements, the municipality assesses the classification of each element separately.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rents are recognised separately as revenue in the period in which they are received.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term.

### 1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for a nominal cost, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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### 1.11 Inventories (continued)

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.12 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

### 1.13 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

# Randfontein Local Municipality

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## Accounting Policies

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### 1.13 Impairment of cash-generating assets (continued)

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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### 1.13 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### 1.14 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

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### 1.14 Impairment of non-cash-generating assets (continued)

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality will not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.15 Statutory receivables

Statutory receivables are receivables that:

- arise from legislation, supporting regulations, or similar means; and

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### 1.15 Statutory receivables (continued)

- require settlement by another entity in cash or another financial asset.

Statutory receivables constitute revenue receivable from property rates, fines, penalties, grants and fees charged in terms of legislation.

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23;
- if the transaction is not within the scope of either GRAP 9 or GRAP 23, the receivable is recognised when:
  - the definition of an asset is met; and
  - it is probable that future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

The municipality measures a statutory receivable initially at its transaction amount.

The municipality measures all statutory receivables after initial recognition using the cost method.

Under the cost method the amount recognised initially is only changed subsequently to reflect any:

- interest or other charges that may have accrued on the receivable;
- impairment loss; and
- amounts derecognised.

The municipality assesses at the end of each reporting period whether there is objective evidence that a statutory receivable or group of statutory receivables is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default payments are all considered indicators of impairment.

If there is objective evidence that an impairment loss on statutory receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated future cash flows - discounted if the effect of discounting is material - using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the statutory receivable that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where statutory receivables are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such receivables are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

The municipality derecognises a statutory receivable when:

- the rights to the cash flows from the statutory receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable;
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the receivable;
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are considered for inclusion within the scope of GRAP 104 or another standard of GRAP. Any difference between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

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### 1.16 Employee benefits

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within 12 months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

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### 1.16 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises, because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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### 1.16 Employee benefits (continued)

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money are consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

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### 1.16 Employee benefits (continued)

#### Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

#### Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

### 1.17 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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### 1.17 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating expenditure.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the municipality:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

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## Accounting Policies

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### 1.17 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

The related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

#### Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on municipalities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards; and
- fines or other penalties that are imposed for breaches of the legislation.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time.

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy, but does not yet have a present obligation to pay that levy.

### 1.18 Discontinued operations

Discontinued operation is a component of the municipality that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled entity acquired exclusively with a view to resale.

A component of the municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality.

### 1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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### 1.19 Revenue from exchange transactions (continued)

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### Interest, royalties and dividends

Revenue arising from the use by others of municipal assets yielding interest, royalties and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

#### Revenue received in advance

Where an entity receives resources before a transfer arrangement becomes binding, the resources are recognised as an asset when they meet the definition of an asset and satisfy the criteria for recognition as an asset. The entity will also recognise an advance receipt liability if the transfer arrangement is not yet binding.

Advance receipts in respect of transfers are not fundamentally different from other advance receipts, so a liability is recognised until the event that makes the transfer arrangement binding occurs and all other conditions under the agreement are fulfilled. When that event occurs and all other conditions under the agreement are fulfilled, the liability is discharged and revenue is recognised.

The cut-off of period of revenue recognition from the sale of prepaid electricity is determined based on the average time it takes consumers to make additional purchases of electricity.

### 1.20 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

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### 1.20 Revenue from non-exchange transactions (continued)

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential are required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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### 1.20 Revenue from non-exchange transactions (continued)

#### Property rates

The municipality recognises an asset in respect of property rates when the taxable event occurs and the asset recognition criteria are met.

Resources arising from property rates satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from property rates satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

#### Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Collection charges and penalties

Collection charges and penalty interest are recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements (if applicable).

#### Fines

##### Initial recognition

The municipality recognise fines as revenue in terms of iGRAP 1 when a fine is issued. Fines constitute both spot fines and summonses.

Revenue from the issuing of fines shall be recognised when:

- (a) it is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- (b) the amount of the revenue can be measured reliably.

Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by debtors. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses should be recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Fines are recognised as revenue in terms of IGRAP 1 and GRAP 23 when fines are issued.

##### Subsequent recognition

Traffic fines are subsequently recognised based on the municipality's best estimation of the probability of collecting revenue when accounts fall into arrears.

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

#### Services in-kind

Services in-kind are not recognised.

#### Concessionary loans received

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### 1.20 Revenue from non-exchange transactions (continued)

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue, is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exists in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

### 1.21 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.24 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credit against accumulated surplus when retrospective adjustments are made.

### 1.25 Revaluation reserve

The surplus arising from the revaluation of heritage assets is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

# Randfontein Local Municipality

(Registration number GT482)

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.26 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments, which are disclosed in note 45.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed if both the following criteria are met:

- contracts are non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.27 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving raise to the transfer occurred.

### 1.28 Budget information

The approved budget is prepared on the accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period has been included in the Statement of comparison of budget and actual amounts.

### 1.29 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.30 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

# **Randfontein Local Municipality**

(Registration number GT482)

Annual Financial Statements for the year ended 30 June 2015

## **Accounting Policies**

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### **1.30 Events after reporting date (continued)**

The municipality discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

# Randfontein Local Municipality

(Registration number GT482)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

##### GRAP 5 (revised 2013): Borrowing Costs

The benchmark treatment is to recognise borrowing costs as an expense.

The allowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs.

All amendments are to be applied prospectively.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality has adopted the standard for the first time in the 2015 annual financial statements.

The impact of the standard is not material.

##### GRAP 100 (revised 2013): Discontinued Operations

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted. The impact of the amendments are:

- It will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.
- Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality has adopted the standard for the first time in the 2015 annual financial statements.

The impact of the standard is not material.

# Randfontein Local Municipality

(Registration number GT482)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

##### **GRAP 18: Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

##### **GRAP 105: Transfers of Functions Between Entities Under Common Control**

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between the amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

##### **GRAP 106: Transfers of Functions Between Entities not Under Common Control**

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

# Randfontein Local Municipality

(Registration number GT482)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, acquirer can be identified and the combining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) applies this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in bullet one and two is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the reporting entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

# Randfontein Local Municipality

(Registration number GT482)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence.

The standard sets out the requirements, *inter alia*, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### IGRAP 11: Consolidation – Special purpose entities

# Randfontein Local Municipality

(Registration number GT482)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances the municipality should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from the municipality to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the municipality should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the municipality or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

### IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE ('additional consideration').

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is in conjunction with the effective date of GRAP105, 106 and 107.

# Randfontein Local Municipality

(Registration number GT482)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

#### **GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements**

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. These amendments should be applied prospectively for annual financial periods beginning on or after the effective date.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. These amendments should be applied prospectively for annual financial periods beginning, on or after the effective date, from the date at which the municipality first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of this amendment is in conjunction with the effective date of GRAP 105, 106 and 107.

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### **GRAP 7 (as revised 2010): Investments in Associates**

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. These amendments should be applied prospectively for annual financial periods beginning on or after the effective date.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. These amendments and addition should be applied when the municipality applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of this amendment is in conjunction with the effective date of GRAP 105, 106 and 107.

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### **GRAP 8 (as revised 2010): Interests in Joint Ventures**

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. These amendments should be applied prospectively for annual financial periods beginning on or after the effective date.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52. These amendments and addition should be applied when the municipality applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of this amendment is in conjunction with the effective date of GRAP 105, 106 and 107.

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

# Randfontein Local Municipality

(Registration number GT482)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### **GRAP 32: Service Concession Arrangements: Grantor**

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

PPP agreements that are governed and regulated in terms of the PFMA and MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **GRAP 108: Statutory Receivables**

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset**

This interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

# Randfontein Local Municipality

(Registration number GT482)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this interpretation need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time once it becomes effective.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

### **Directive 11: Changes in Measurement Bases Following the Initial Adoption of Standards of GRAP**

The objective of this directive is to permit the municipality to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this directive allows the municipality, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the municipality elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the municipality made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this directive, the municipality will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the directive is for years beginning on or after 01 April 2015.

The municipality expects to adopt the directive for the first time in the 2016 annual financial statements.

It is unlikely that the directive will have a material impact on the municipality's annual financial statements.

# Randfontein Local Municipality

(Registration number GT482)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

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### 3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	292	3 376
Bank balances	442 596	-
Short-term deposits	31 067 422	53 193 725
Bank balances	-	(304 184)
	<b>31 510 310</b>	<b>52 892 917</b>

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
Nedbank - Current account (Primary) 145 409 5334	-	-	2 286 274	-	-	17 299 798
(Salaries) 145 409 5393	-	-	652 613	-	-	(6 019 132)
Nedbank - Current account (Actaris) 145 409 5377	-	-	955 877	-	-	(6 226 383)
Nedbank - Current account (Grants) 145 409 5407	-	-	40 909 105	-	-	40 909 105
Nedbank - Current account (Special projects) 145 409 5385	-	-	518 263	-	-	518 263
Nedbank - Current account (Traffic) 145 409 8058	-	-	3 376 423	-	-	1 520 880
Nedbank - Current account (Elandsfontein farm) 145 409 8031	-	-	63 344	-	-	63 344
Nedbank - Current account (Traffic fines) 145 411 8679	-	-	152 651	-	-	921 958
Petty cash and cash floats	-	-	-	3 376	3 376	7 450
Nedbank call account	-	-	-	-	-	149 128
ABSA - Current account (Primary) 408 090 6149	4 720 007	3 797 938	-	567 108	(355 191)	-
ABSA - Current account (Salaries) 408 090 6204	52 733	158 356	-	52 733	39 709	-
ABSA - Current account (Actaris) 408 090 6262	279 115	282 955	-	755	486	-
ABSA - Current account (Grants) 408 090 6288	-	169	-	169	169	-
ABSA - Current account (Traffic) 408 090 6319	1 431 089	1 203 993	-	(1 878 910)	10 802	-
ABSA - Current account (Traffic fines) 408 090 6335	53 747	-	-	742	(159)	-
Investec call account	30 965 472	53 178 725	-	30 965 472	53 178 725	-
ABSA- Account 929 523 5598	117 170	15 000	-	101 949	15 000	-
<b>Total</b>	<b>37 619 333</b>	<b>58 637 136</b>	<b>48 914 550</b>	<b>29 813 394</b>	<b>52 892 917</b>	<b>49 144 411</b>

# Randfontein Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>4. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	40 441 374	35 411 821
Water	26 941 657	31 821 215
Sewerage	10 010 658	10 659 397
Refuse	9 718 521	10 740 282
Other receivables from exchange transactions	66 543 107	44 067 929
VAT	19 059 529	15 458 159
	<b>172 714 846</b>	<b>148 158 803</b>
<b>Less: Allowance for impairment</b>		
Electricity	(23 541 033)	(28 844 769)
Water	(21 091 794)	(25 920 033)
Sewerage	(7 980 054)	(8 682 633)
Refuse	(7 350 459)	(8 748 518)
Other receivables from exchange transactions	(54 949 810)	(35 895 619)
VAT	(15 369 645)	-
	<b>(130 282 795)</b>	<b>(108 091 572)</b>
<b>Net balance</b>		
Electricity	16 900 341	6 557 052
Water	5 849 863	5 901 182
Sewerage	2 030 604	1 976 764
Refuse	2 368 061	1 991 764
Other receivables from exchange transactions	11 593 297	8 172 310
VAT	3 689 884	15 458 159
	<b>42 432 050</b>	<b>40 067 231</b>
The ageing of trade and other receivables from exchange transactions is as follows:		
<b>Electricity</b>		
Current (0 -30 days)	16 471 243	10 651 693
31 - 60 days	1 306 502	1 584 220
61 - 90 days	609 599	788 938
91 - 120 days	597 258	716 790
121 - 365 days	4 487 287	4 015 949
> 365 days	16 969 485	17 654 232
Allowance for impairment	(23 541 033)	(28 844 770)
	<b>16 900 341</b>	<b>6 557 052</b>
<b>Water</b>		
Current (0 -30 days)	4 309 675	3 910 845
31 - 60 days	1 059 719	1 256 311
61 - 90 days	817 967	1 473 564
91 - 120 days	767 520	839 111
121 - 365 days	4 466 559	3 973 510
> 365 days	15 520 217	20 367 873
Allowance for impairment	(21 091 794)	(25 920 032)
	<b>5 849 863</b>	<b>5 901 182</b>

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<b>4. Receivables from exchange transactions (continued)</b>		
<b>Sewerage</b>		
Current (0 -30 days)	1 544 511	1 525 194
31 - 60 days	468 898	498 871
61 - 90 days	306 898	346 053
91 - 120 days	255 746	307 237
121 - 365 days	1 552 771	1 678 257
> 365 days	5 881 834	6 303 784
Allowance for impairment	(7 980 054)	(8 682 632)
	<b>2 030 604</b>	<b>1 976 764</b>
<b>Refuse</b>		
Current (0 -30 days)	1 903 532	1 850 736
31 - 60 days	586 919	603 507
61 - 90 days	333 414	362 900
91 - 120 days	261 761	305 936
121 - 365 days	1 519 846	1 563 256
> 365 days	5 113 048	6 053 945
Allowance for impairment	(7 350 459)	(8 748 516)
	<b>2 368 061</b>	<b>1 991 764</b>
<b>Other receivables from exchange transactions</b>		
Current (0 -30 days)	4 475 378	3 198 597
31 - 60 days	3 444 764	2 131 420
61 - 90 days	5 500 407	1 651 153
91 - 120 days	6 157 254	1 711 024
121 - 365 days	9 197 594	9 151 239
> 365 days	37 767 710	26 224 496
Allowance for impairment	(54 949 810)	(35 895 618)
	<b>11 593 297</b>	<b>8 172 311</b>
<b>VAT</b>		
Current (0 -30 days)	3 596 294	2 667 959
31 - 60 days	582 811	632 852
61 - 90 days	431 656	501 567
91 - 120 days	418 033	407 008
121 - 365 days	1 936 812	1 742 915
> 365 days	12 093 922	9 505 858
Allowance for impairment	(15 369 644)	-
	<b>3 689 884</b>	<b>15 458 159</b>

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## Notes to the Annual Financial Statements

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### 4. Receivables from exchange transactions (continued)

#### Summary of trade and other receivables from exchange transactions by customer classification

##### Consumers

Current (0 -30 days)	15 391 278	14 965 306
31 - 60 days	6 396 969	5 336 733
61 - 90 days	7 353 901	3 836 156
91 - 120 days	7 982 650	3 771 319
121 - 365 days	19 245 137	19 078 087
> 365 days	87 799 110	80 568 482
	<hr/>	<hr/>
	144 169 045	127 556 083
Less: Allowance for impairment	(109 192 779)	(94 684 896)
	<hr/>	<hr/>
	<b>34 976 266</b>	<b>32 871 187</b>

##### Industrial and business

Current (0 -30 days)	15 032 057	7 976 307
31 - 60 days	856 938	1 030 714
61 - 90 days	520 899	1 099 543
91 - 120 days	365 686	395 001
121 - 365 days	2 560 921	2 371 106
> 365 days	4 919 194	5 188 320
	<hr/>	<hr/>
	24 255 695	18 060 991
Less: Allowance for impairment	(18 371 119)	(13 406 676)
	<hr/>	<hr/>
	<b>5 884 576</b>	<b>4 654 315</b>

##### National and provincial government

Current (0 -30 days)	1 176 996	863 411
31 - 60 days	195 706	339 735
61 - 90 days	125 141	188 477
91 - 120 days	109 238	120 787
121 - 365 days	1 354 812	675 934
> 365 days	627 912	353 387
	<hr/>	<hr/>
	3 589 805	2 541 731
Less: Allowance for impairment	(2 718 897)	-
	<hr/>	<hr/>
	<b>870 908</b>	<b>2 541 731</b>

##### Total

Current (0 -30 days)	32 300 632	23 805 024
31 - 60 days	7 449 613	6 707 181
61 - 90 days	7 999 941	5 124 176
91 - 120 days	8 457 574	4 287 107
121 - 365 days	23 160 870	22 125 127
> 365 days	93 346 216	86 110 188
	<hr/>	<hr/>
	172 714 846	148 158 803
Less: Allowance for impairment	(130 282 796)	(108 091 572)
	<hr/>	<hr/>
	<b>42 432 050</b>	<b>40 067 231</b>

##### Reconciliation of allowance for impairment

Balance at beginning of the year	(108 091 572)	(93 840 108)
Decrease in/ (Contributions to) allowance	(39 293 489)	(31 987 301)
Debt impairment written off against allowance	17 102 265	17 735 837
	<hr/>	<hr/>
	<b>(130 282 796)</b>	<b>(108 091 572)</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 4. Receivables from exchange transactions (continued)

#### Receivables from exchange transactions pledged as security

No receivables from exchange transactions were pledged as security for liabilities.

#### Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to average payment history and incorporates this information into its credit risk control. No external credit rating is performed.

#### Receivables from exchange transactions past due but not impaired

At 30 June 2015 no receivables from exchange transactions were past due but not impaired (2014: R 2 541 731). At 30 June 2014, receivables from exchange transactions in respect of government debtors were not considered to be impaired.

#### Receivables from exchange transactions impaired

As at 30 June 2015, receivables from exchange transactions of R 172 014 545 (2014: R 148 158 803) were impaired and provided for.

The amount of the allowance was R 130 282 795 as of 30 June 2015 (2014: R 108 091 572).

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>5. Receivables from non-exchange transactions</b>		
Other receivables	1 176 770	429 740
Traffic fines	6 520 397	4 190 063
Department of Health	3 055 314	3 422 445
Property rates	24 999 596	19 789 968
	<b>35 752 077</b>	<b>27 832 216</b>

### Property rates

The ageing of receivables in respect of property rates is as follows:

Current (0- 30 days)	5 878 940	4 589 777
31- 60 days	1 635 717	1 123 228
61- 90 days	1 335 328	1 948 833
91- 120 days	1 252 221	813 263
121- 365 days	9 482 016	4 703 338
> 365 days	78 597 714	93 535 926
Allowance for impairment	(73 182 340)	(86 924 397)
	<b>24 999 596</b>	<b>19 789 968</b>

### Summary of trade and other receivables from non exchange transactions (property rates) by customer classification

#### Consumers

Current (0- 30 days)	3 782 748	2 826 124
31- 60 days	908 621	893 723
61- 90 days	695 996	1 458 972
91- 120 days	642 202	715 418
121- 365 days	3 662 813	4 039 151
> 365 days	69 281 839	87 516 330
Allowance for impairment	(58 865 392)	(80 031 826)
	<b>20 108 827</b>	<b>17 417 892</b>

#### Industrial and business

Current (0- 30 days)	1 588 852	1 591 620
31- 60 days	229 751	172 610
61- 90 days	142 045	418 180
91- 120 days	113 088	74 932
121- 365 days	1 188 396	499 574
> 365 days	7 679 484	5 635 736
Allowance for impairment	(8 155 605)	(6 892 572)
	<b>2 786 011</b>	<b>1 500 080</b>

#### National and provincial government

Current (0- 30 days)	507 340	172 034
31- 60 days	497 345	56 894
61- 90 days	497 287	71 681
91- 120 days	496 930	22 913
121- 365 days	4 630 807	164 613
> 365 days	1 636 392	383 862
Allowance for impairment	(6 161 343)	-
	<b>2 104 758</b>	<b>871 997</b>

#### Reconciliation of allowance for impairment

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>5. Receivables from non-exchange transactions (continued)</b>		
Opening balance	(86 924 397)	(98 945 283)
Decrease in/ (Contributions to) allowance	13 742 057	(2 241 807)
Amounts written off as uncollectable	-	14 262 693
	<b>(73 182 340)</b>	<b>(86 924 397)</b>

### Traffic fines

#### Reconciliation of gross balances to net balances

Receivables from traffic fines	11 079 337	7 119 135
Allowance for impairment	(4 558 940)	(2 929 072)
	<b>6 520 397</b>	<b>4 190 063</b>

#### Reconciliation of allowance for impairment

Opening balance	(2 929 071)	(1 449 373)
Contributions to allowance	(1 629 867)	(1 479 698)
	<b>(4 558 938)</b>	<b>(2 929 071)</b>

### Receivables from non-exchange transactions pledged as security

No receivables from non-exchange transactions were pledged as security for liabilities.

### Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to average payment history and incorporates this information into its credit risk control. No external credit rating is performed.

### Receivables from non-exchange transactions past due but not impaired

At 30 June 2015 no receivables from non-exchange transactions were past due but not impaired (2014: R 871 997).

At 30 June 2014, receivables from non-exchange transactions in respect of government debtors were not considered to be impaired.

### Receivables from non-exchange transactions impaired

As at 30 June 2015, receivables from non-exchange transactions of R 35 752 077 (2014: R 27 832 216) were impaired and provided for.

The amount of the allowance was R 73 182 340 as of 30 June 2015 (2014: R 86 924 397).

### 6. VAT receivable

VAT	<b>7 017 833</b>	<b>4 406 544</b>
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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>7. Inventories</b>		
Consumable stores	3 495 575	4 229 500
Water	189 852	177 093
	<b>3 685 427</b>	<b>4 406 593</b>

### Inventory pledged as security

No inventory was pledged as security for liabilities.

### 8. Long term receivables

Consumer receivables with long term arrangements	6 112 275	6 783 122
<b>Reconciliation of gross balances to net balances</b>		
Long term receivables	30 323 546	35 167 303
Allowance for impairment	(24 211 271)	(28 384 181)
	<b>6 112 275</b>	<b>6 783 122</b>
<b>Reconciliation of allowance for impairment</b>		
Opening balance	(28 384 181)	(23 296 995)
Decrease in/ (Contributions to) allowance	4 172 910	(5 087 186)
	<b>(24 211 271)</b>	<b>(28 384 181)</b>
Non-current portion	4 312 148	5 175 094
Current portion	1 800 127	1 608 028
	<b>6 112 275</b>	<b>6 783 122</b>

### Long term receivables pledged as security

No long term receivables were pledged as security for liabilities.

### Credit quality of long term receivables

The credit quality of long term receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to average payment history and incorporates this information into its credit risk control. No external credit rating is performed.

### Long term receivables past due but not impaired

All long term receivables that are past due were considered to be impaired. At 30 June 2015 all long term receivables that were past due were impaired.

### Long term receivables impaired

At 30 June 2015, long term receivables of R 30 323 546 (2014: R 35 167 303) were impaired and provided for. The amount of the provision was R 24 211 271 (2014: R 28 384 181).

### 9. Other financial assets

#### At amortised cost

Bond investment	10 865 792	10 232 480
The above is a zero coupon bond investment held with Stanlib for a period of 20 years from 2 July 1998.		

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014				
<b>9. Other financial assets (continued)</b>						
<b>Non-current assets</b>						
At amortised cost	10 865 792	10 232 480				
<b>Financial assets pledged as collateral</b>						
<b>Collateral</b>						
Carrying value of financial assets pledged as collateral for liabilities	10 865 792	10 232 480				
The above financial assets have been pledged as security for other financial liabilities with a carrying amount of R 8 090 231 (2014: R 9 726 730). Refer to note 18.						
<b>10. Biological assets that form part of an agricultural activity</b>						
	2015	2014				
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Dairy cattle	788 424	-	788 424	754 492	-	754 492
<b>Reconciliation of biological assets that form part of an agricultural activity - 2015</b>						
			Opening balance	Gains arising from changes in fair value	Total	
Dairy cattle			754 492	33 932	788 424	
<b>Reconciliation of biological assets that form part of an agricultural activity - 2014</b>						
			Opening balance	Losses arising from changes in fair value	Total	
Dairy cattle			972 350	(217 858)	754 492	
<b>Non - Financial information</b>						
<b>Quantities of each biological asset</b>						
Dairy cattle			139		138	
Cows in production			62		43	
Cows not in production			31		41	
Heifers			39		46	
Calves			7		8	
			139		138	
<b>Pledged as security</b>						
No biological assets were pledged as security for liabilities.						

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 10. Biological assets that form part of an agricultural activity (continued)

#### Details of valuation

The effective date of the revaluations was 30 June 2015. Revaluations were performed by an independent valuer, Mr Hendrik Nel. Mr Hendrik Nel is not connected to the municipality and has recent experience in the valuation of biological assets.

The valuation was based on open market value.

### 11. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Improved and unimproved land	219 945 481	-	219 945 481	243 701 471	-	243 701 471

#### Reconciliation of investment property - 2015

	Opening balance	Disposals	Fair value adjustments	Total
Improved and unimproved land	243 701 471	(20 497 208)	(3 258 782)	219 945 481

#### Reconciliation of investment property - 2014

	Opening balance	Movements	Fair value adjustments	Total
Improved and unimproved land	258 742 977	(4 459 697)	(10 581 809)	243 701 471

#### Pledged as security

No investment property was pledged as security for liabilities.

#### Details of property

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

#### Details of valuation

The effective date of the revaluations was 30 June 2015. Revaluations were performed by an independent valuer, Mr Rob Childs (Professional Engineer- Pr Eng Pr CPM). Mr Rob Childs is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

These assumptions are based on current market conditions.

# Randfontein Local Municipality

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## Notes to the Annual Financial Statements

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### 12. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	242 386 636	(164 784 653)	77 601 983	245 611 133	(161 698 151)	83 912 982
Infrastructure	3 428 206 508	(1 561 656 399)	1 866 550 109	3 392 581 257	(1 509 480 928)	1 883 100 329
Community assets	368 101 216	(178 327 347)	189 773 869	361 755 852	(170 826 002)	190 929 850
Other assets	99 846 278	(66 869 081)	32 977 197	40 191 541	(19 789 037)	20 402 504
Leased assets	-	-	-	60 977 052	(33 880 724)	27 096 328
Capital work in progress	108 119 110	-	108 119 110	100 450 770	-	100 450 770
Library books	10 832 765	(6 512 368)	4 320 397	11 853 981	(6 022 713)	5 831 268
<b>Total</b>	<b>4 257 492 513</b>	<b>(1 978 149 848)</b>	<b>2 279 342 665</b>	<b>4 213 421 586</b>	<b>(1 901 697 555)</b>	<b>2 311 724 031</b>

### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Derecognition	Depreciation	Impairment loss	Total
Land and buildings	83 912 982	-	-	-	(1 138 855)	(5 172 144)	-	77 601 983
Infrastructure	1 883 100 329	39 728 832	-	-	(2 531 097)	(53 747 955)	-	1 866 550 109
Community assets	190 929 850	8 809 660	-	-	(1 473 425)	(7 771 217)	(720 999)	189 773 869
Other assets	20 402 503	4 102 690	(2 472 808)	27 096 328	-	(16 151 516)	-	32 977 197
Leased assets	27 096 328	-	-	(27 096 328)	-	-	-	-
Capital work in progress	100 450 770	56 206 831	-	(48 538 491)	-	-	-	108 119 110
Library books	5 831 268	435 705	-	-	(1 135 253)	(811 323)	-	4 320 397
	<b>2 311 724 030</b>	<b>109 283 718</b>	<b>(2 472 808)</b>	<b>(48 538 491)</b>	<b>(6 278 630)</b>	<b>(83 654 155)</b>	<b>(720 999)</b>	<b>2 279 342 665</b>

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## Notes to the Annual Financial Statements

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### 12. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Derecognition	Depreciation	Impairment loss	Total
Land and buildings	97 742 795	1 510 859	(9 530 500)	-	-	(5 810 158)	-	83 912 996
Infrastructure	1 920 188 099	17 991 702	-	-	(384 806)	(54 694 666)	-	1 883 100 329
Community assets	186 962 195	-	-	12 110 507	(85 922)	(8 335 358)	-	190 505 678
Other assets	26 197 238	2 029 171	-	-	(3 770 174)	(4 053 732)	-	20 402 503
Leased assets	39 505 872	-	-	-	-	(12 409 544)	-	27 096 328
Capital work in progress	80 332 581	52 305 487	-	(31 613 067)	-	-	(574 231)	100 450 770
Library books	6 468 693	368 200	-	-	(30 730)	(974 895)	-	5 831 268
	<b>2 357 397 473</b>	<b>74 205 419</b>	<b>(9 530 500)</b>	<b>(19 502 560)</b>	<b>(4 271 632)</b>	<b>(86 278 353)</b>	<b>(574 231)</b>	<b>2 311 299 872</b>

#### Public contributions and donations

Included in additions to assets are donations of R 5 122 385 (2014: R 9 979 633).

#### Pledged as security

No property, plant and equipment were pledged as security for liabilities.

#### Assets subject to finance lease (Net carrying amount)

Leased Assets-Motor vehicles - 27 096 328

#### Details of properties

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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## Notes to the Annual Financial Statements

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### 13. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Servitudes	36 039 722	-	36 039 722	36 039 722	-	36 039 722
Computer software	3 065 724	(2 134 548)	931 176	3 065 724	(1 112 640)	1 953 084
<b>Total</b>	<b>39 105 446</b>	<b>(2 134 548)</b>	<b>36 970 898</b>	<b>39 105 446</b>	<b>(1 112 640)</b>	<b>37 992 806</b>

#### Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Servitudes	36 039 722	-	36 039 722
Computer software	1 953 084	(1 021 908)	931 176
	<b>37 992 806</b>	<b>(1 021 908)</b>	<b>36 970 898</b>

#### Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Servitudes	36 039 722	-	-	36 039 722
Computer software	998 050	1 976 942	(1 021 908)	1 953 084
	<b>37 037 772</b>	<b>1 976 942</b>	<b>(1 021 908)</b>	<b>37 992 806</b>

#### Pledged as security

No intangible assets were pledged as security for liabilities.

### 14. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Paintings and other artifacts	1 936 663	-	1 936 663	1 820 750	-	1 820 750

#### Reconciliation of heritage assets 2015

	Opening balance	Revaluations	Total
Paintings and other artifacts	1 820 750	115 913	1 936 663

#### Reconciliation of heritage assets 2014

	Opening balance	Revaluations	Total
Paintings and other artifacts	2 244 000	(423 250)	1 820 750

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## Notes to the Annual Financial Statements

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### 14. Heritage assets (continued)

#### Pledged as security

No heritage assets were pledged as security for liabilities.

#### Details of heritage assets

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

#### Details of valuation

The effective date of the revaluation was 30 June 2015. Revaluations were performed by an independent valuer, Mrs A. Inggs. Mrs A. Inggs is not connected to the municipality and has recent experience in the valuation of heritage assets. The valuation was based on open market value.

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>15. Payables from exchange transactions</b>		
Trade payables	156 359 062	173 208 209
Payments received in advance	3 565 959	3 278 359
Retention monies payable	10 546 074	8 093 062
Stores creditors	614 598	583 476
Accrued leave pay	10 159 284	11 311 707
Accrued annual bonus	4 960 393	3 467 604
Payroll accruals	2 808 464	343 022
Other payables (receivables with credit balances)	21 107 742	20 288 761
	<b>210 121 576</b>	<b>220 574 200</b>
<b>16. Payables from non-exchange transactions</b>		
Unallocated receipts	<b>2 595 001</b>	<b>2 485 107</b>
The above amount relates to unknown direct deposits made into the municipality's bank account.		
<b>17. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	-	9 289 781
	-	9 289 781
less: future finance charges	-	(277 246)
<b>Present value of minimum lease payments</b>	<b>-</b>	<b>9 012 535</b>
<b>Present value of minimum lease payments due</b>		
- within one year	-	9 012 535
It is municipality policy to lease certain motor vehicles under finance leases.		
The average lease term was 3 years and the average effective borrowing rate was 9% (2014: 8%).		
Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.		
The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 12.		
As at 30 June 2015, finance lease obligations had been settled in full.		
<b>18. Other financial liabilities</b>		
<b>At amortised cost</b>		
Development Bank of Southern Africa (DBSA) loan	8 090 232	9 726 730
Interest rate on the loan is fixed at 15.5% per annum compounded semi annually. The loan period is 20 years. The loan is secured by financial assets whose carrying value is R 10 865 792 (2014: R 10 232 480). Refer to note 9.		
<b>Non-current liabilities</b>		
At amortised cost	<b>6 193 294</b>	<b>8 090 232</b>
<b>Current liabilities</b>		
At amortised cost	<b>1 896 937</b>	<b>1 636 499</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>19. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
Early Childhood Development Grant (Department of Social Development)	9 576 293	11 124 523
Electricity Demand Side Management Grant	1 040 455	2 914
Gauteng Department of Agriculture and Rural Development Grant	470 000	-
Municipal Infrastructure Grant	1 532 959	6 197 349
Other grants	455 153	595 254
Public donation	3 990 216	3 990 217
	<b>17 065 076</b>	<b>21 910 257</b>

See note 32 for reconciliation of grants from National/Provincial Government.

## 20. Consumer deposits

Electricity and water	<b>31 608 115</b>	<b>28 751 614</b>
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Guarantees amounting to R 1 534 592 were provided in respect of water and electricity. (2014: R 1 180 146)

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## Notes to the Annual Financial Statements

Figures in Rand

### 21. Provisions

#### Reconciliation of provisions - 2015

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation - landfill sites	4 506 522	-	516 638	5 023 160
Performance bonus	-	3 720 538	-	3 720 538
	<b>4 506 522</b>	<b>3 720 538</b>	<b>516 638</b>	<b>8 743 698</b>

#### Reconciliation of provisions - 2014

	Opening Balance	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation - landfill sites	4 917 952	-	(411 430)	4 506 522
Performance bonus	11 046 161	(11 046 161)	-	-
	<b>15 964 113</b>	<b>(11 046 161)</b>	<b>(411 430)</b>	<b>4 506 522</b>
Non-current liabilities	7 377 025	3 261 269		
Current liabilities	1 366 672	1 245 253		
	<b>8 743 697</b>	<b>4 506 522</b>		

#### Environmental rehabilitation provision

Estimates of the provision were performed by an independent valuer, Mr Rob Childs (Professional Engineer- Pr Eng Pr CPM). Mr Rob Childs is not connected to the municipality and has recent experience in the valuation of provisions for environmental rehabilitation.

The calculated provision for the restoration over the next three years was done using a rate of 10.25% based on the following assumptions:

- closure over four years
- no additional waste will be deposited on site

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 21. Provisions (continued)

- compacting the waste body, constructing a 150mm founding and gas drainage layer, CGL, 200mm of completed soil (in 2 x 100mm layers) and covered by 200mm of top soil, with 10% discount, and
- a 6% escalation.

### Performance bonus

Performance bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision was calculated as 14% of the total package of qualifying employees.

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>22. Employee benefit obligations</b>		
Post retirement medical benefits	74 242 228	66 504 071
Long service awards liability	3 040 395	3 065 748
	<b>77 282 623</b>	<b>69 569 819</b>

### Post retirement medical benefits

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme. Qualifying members receive a post employment subsidy for which the municipality is liable.

The municipality operates an unfunded defined benefit plan for these qualifying employees.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit method.

At the valuation date individuals entitled to a post retirement medical aid subsidy were:

In - service (employee) members: 465 (2014: 475)  
 In - service (employee) non - members: 281 (2014: 298)  
 Continuation (retiree and widow) members: 33 (2014: 33)

The current service costs are estimated at R 4 431 748 for the current year ending 30 June 2015 (2014: R 3 707 786).

### The amounts recognised in the statement of financial position are as follows:

#### Carrying value

Opening balance	(66 504 071)	(50 291 612)
Increase in defined benefit obligation	(7 738 157)	(16 212 459)
	<b>(74 242 228)</b>	<b>(66 504 071)</b>

#### Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(66 504 071)	(50 291 612)
Benefits paid	1 302 564	1 121 976
Net expense recognised in the statement of financial performance	(9 040 721)	(17 334 435)
	<b>(74 242 228)</b>	<b>(66 504 071)</b>

#### Net expense recognised in the statement of financial performance

Current service cost	4 431 748	3 707 786
Interest cost	5 942 884	4 480 919
Actuarial (gains)/ losses	(1 333 911)	9 145 730
	<b>9 040 721</b>	<b>17 334 435</b>

#### Key assumptions used

##### Assumptions used at the reporting date:

Discount rates used	9%	9%
Health care cost inflation rate	8%	8%
Net effective discount rate	1%	1%
Average retirement age	60 years	60 years

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 22. Employee benefit obligations (continued)

#### Long service awards liability

The Municipality offers employees a long service bonus for every complete ten-year period of service. The long service award is paid on retirement, resignation or death. The amount payable is reviewed periodically and is assumed to increase in line with expected CPI inflation.

The long service award liability is not a funded arrangement, i.e. no separate assets have been set aside to meet its liability.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit method.

At year end, 746 employees (2014: 773) were eligible for long service awards. The current service cost for the year ending 30 June 2015 is estimated to be R 226 744 (2014: R 237 321).

The expected remaining working lifetime of eligible employees is 14.7 years (2014: 15 years).

#### The amounts recognised in the statement of financial position are as follows:

Carrying value	2015	2014
Opening balance	(3 065 748)	(3 021 999)
Decrease in provision	25 353	(43 749)
	<b>(3 040 395)</b>	<b>(3 065 748)</b>

#### Changes in the present value of the long service award obligation are as follows:

	2015	2014
Opening balance	(3 065 748)	(3 021 999)
Benefits paid	511 796	365 000
Net expense recognised in the statement of financial performance	(486 443)	(408 749)
	<b>(3 040 395)</b>	<b>(3 065 748)</b>

#### Net expense of the long service awards obligation recognised in the statement of financial performance

	2015	2014
Current service cost	226 744	237 321
Interest cost	256 945	265 410
Actuarial (gains)/ losses	2 754	(93 982)
	<b>486 443</b>	<b>408 749</b>

#### Key assumptions used

Assumptions used at the reporting date:

	2015	2014
Discount rates used	9.22 %	9.13 %
Expected inflation	6.83 %	6.70 %
Net effective discount rate	2.23 %	2.27 %

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## Notes to the Annual Financial Statements

Figures in Rand

2015

2014

### 23. Financial instruments disclosure

#### Categories of financial instruments

2015

#### Financial assets

	At amortised cost
Cash and cash equivalents	31 510 310
Long term receivables	4 312 148
Other financial assets	10 865 792
Receivables from exchange transactions	42 432 050
Receivables from non-exchange transactions	35 752 077
	<b>124 872 377</b>

#### Financial liabilities

	At amortised cost
Consumer deposits	31 608 115
Other financial liabilities	1 896 937
Payables from exchange transactions	210 121 576
Payables from non-exchange transactions	2 595 001
Unspent conditional grants and receipts	17 065 076
	<b>263 286 705</b>

2014

#### Financial assets

	At amortised cost
Cash and cash equivalents	53 197 101
Long term receivables	5 175 094
Other financial assets	10 232 480
Receivables from exchange transactions	40 067 231
Other receivables from non-exchange transactions	1 316 620
Receivables from non-exchange transactions	27 832 216
	<b>137 820 742</b>

#### Financial liabilities

	At amortised cost
Consumer deposits	28 751 614
Finance lease obligation	9 012 535
Other financial liabilities	1 636 499
Payables from exchange transactions	220 574 188
Payables from non-exchange transactions	2 485 107
Unspent conditional grants and receipts	21 910 257
	<b>284 370 200</b>

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Figures in Rand	2015	2014
<b>24. Service charges</b>		
Sale of electricity	380 511 373	358 517 740
Sale of water	81 243 882	68 155 035
Sewerage and sanitation charges	32 100 054	31 085 202
Refuse removal	41 284 281	38 506 420
Other service charges	289 159	268 243
	<b>535 428 749</b>	<b>496 532 640</b>
<b>25. Rental of facilities and equipment</b>		
<b>Facilities and equipment</b>		
Rental of equipment	47 139	53 406
Rental of buildings	557 738	476 540
Rental of facilities	22 089	31 590
Rental of land	148 509	105 332
Rental of housing	1 377 660	1 296 152
	<b>2 153 135</b>	<b>1 963 020</b>
<b>26. Interest received - trading</b>		
Interest levied on trade and other receivables from exchange and non-exchange transactions	7 531 093	12 863 582
	<b>7 531 093</b>	<b>12 863 582</b>
<b>27. Interest received - investment</b>		
<b>Interest revenue</b>		
Interest earned	<b>3 096 247</b>	<b>2 339 429</b>
	<b>3 096 247</b>	<b>2 339 429</b>
<b>28. Income from agency services</b>		
Agency services for collection of licences	<b>15 415 024</b>	<b>14 878 768</b>
	<b>15 415 024</b>	<b>14 878 768</b>
The municipality has an arrangement with the Department of Transport in which it collects licence fees on behalf of the department and receives an agreed fee for the service provided.		
<b>29. Other income</b>		
Actuarial gain on employee benefit obligations	1 331 157	-
Administration fees	1 700 566	216 704
Advertising	230 247	222 833
Building plan fees	1 117 853	827 586
Burial fees	907 128	921 213
Clearance certificates	343 420	175 394
New electricity connections	323 382	458 903
Other revenue	1 103 806	791 414
Photocopying	86 708	128 140
Sale of bins	38 318	55 169
Tender documents	555 393	501 169
	<b>7 737 978</b>	<b>4 298 526</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>30. Other farming income</b>		
Other farming income	163 024	731 802
Other farming income relates to the sale of maize and milk produce from the Elandsfontein farm.		
<b>31. Property rates</b>		
<b>Rates received</b>		
Assessment rates	165 777 788	111 046 946
Less: Income forgone	(59 403 920)	(36 071 928)
	<b>106 373 868</b>	<b>74 975 018</b>
<b>Valuations</b>		
Residential	8 236 223 770	6 562 991 851
Commercial	1 848 311 700	1 652 131 203
Other	2 157 503 500	1 989 711 201
	<b>12 242 038 970</b>	<b>10 204 834 255</b>

Property rates are based on market values of the properties in terms of the Municipal Property Rates Act, 2004 (Act No.6 of 2004). The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, subdivisions and rezonings.

A general rate as approved for in the Property Rates Policy is applied to property valuations to determine assessment rates. Rebates are granted to certain property owners in accordance with the Property Rates Policy.

Rates are calculated on an annual basis, levied monthly and are payable by the 7th day of the following month. Interest as determined by the South African Revenue Services is levied on outstanding rates.

# Randfontein Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>32. Government grants and subsidies</b>		
Equitable share	100 395 000	95 880 000
Library Grant (Department of Sports, Recreation, Arts and Culture)	3 650 000	3 108 169
Integrated National Electrification Program (Department of Energy)	-	9 348 533
Skills Development Grant	308 250	100 199
Municipal Infrastructure Grant	36 928 389	23 272 435
Finance Management Grant	1 450 000	1 300 000
Aids District Programme	688 608	1 748 022
Early Childhood Development Grant (Department of Social Development)	10 048 230	1 451 770
Municipal Systems Improvement Grant	934 000	890 000
Learnership Grant	132 000	210 600
Expanded Public Works Program	1 318 421	1 000 000
Other Grants	1 140 101	1 404 746
Electricity Demand Side Management Grant	3 962 460	4 996 785
	<hr/>	<hr/>
	<hr/>	<hr/>
	<b>160 955 459</b>	<b>144 711 259</b>

### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	60 560 459	48 831 259
Unconditional grants received	100 395 000	95 880 000
	<b>160 955 459</b>	<b>144 711 259</b>

### Equitable Share

Current year receipts	97 092 000	76 811 000
Other	3 303 000	19 069 000
	<b>100 395 000</b>	<b>95 880 000</b>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a subsidy of 100% rebate on property rates and taxes, 100% rebate on refuse and sewer tariffs, 100kW electricity and 10KL water.

R3 303 000 (2014: R 19 069 000) represents amounts refunded to the National Treasury by way of deduction from the municipality's equitable share in 2015. This related to unapproved applications for the roll over of unspent municipal infrastructure grants in 2014.

### Library Grant (Department of Sports, Recreation, Arts and Culture)

Balance unspent at beginning of year	-	408 169
Current-year receipts	3 650 000	2 700 000
Conditions met - transferred to revenue	(3 650 000)	(3 108 169)
	<hr/>	<hr/>

The purpose of the grant is to support the municipality with the administration of libraries.

### Integrated National Electrification Program (Department of Energy)

Balance unspent at beginning of year	-	3 348 533
Current-year receipts	-	6 000 000

# Randfontein Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>32. Government grants and subsidies (continued)</b>		
Conditions met - transferred to revenue	-	(9 348 533)
	-	-

The purpose of the grant is to implement the Integrated National Electrification Programme by providing capital subsidies to Municipalities to address the electrification backlog of occupied residential dwellings, and the installations of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

### Skills Development Grant

Current-year receipts	308 250	100 201
Conditions met - transferred to revenue	(308 250)	(100 201)
	-	-

The purpose of the grant is to recruit unemployed graduates in municipalities to be trained as per the requirements of the relevant statutory council/ professional body within the built environment.

### Municipal Infrastructure Grant

Balance unspent at beginning of year	6 197 349	28 506 784
Current-year receipts	35 567 000	20 032 000
Conditions met - transferred to revenue	(36 928 390)	(23 272 435)
Other	(3 303 000)	(19 069 000)
	<b>1 532 959</b>	<b>6 197 349</b>

Conditions still to be met - remain liabilities (see note 19).

The purpose of the grant is to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprise and social institutions servicing poor communities.

R3 303 000 (2014: R 19 069 000) represents amounts refunded to the National Treasury by way of deduction from the municipality's equitable share in 2015. This related to unapproved applications for the roll over of unspent municipal infrastructure grants in 2014.

### Finance Management Grant

Current-year receipts	1 450 000	1 300 000
Conditions met - transferred to revenue	(1 450 000)	(1 300 000)
	-	-

The purpose of this grant is to promote and support reforms in financial management by building capacity in the municipality to implement the municipal finance management act (MFMA).

### Aids District Programme

Current-year receipts	688 608	1 748 022
Conditions met - transferred to revenue	(688 608)	(1 748 022)
	-	-

The purpose of the grant is to enhance awareness programmes offered communities to prevent and mitigate the impact of HIV/Aids.

### Public donation

Balance unspent at beginning of year	<b>3 990 216</b>	<b>3 990 216</b>
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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>32. Government grants and subsidies (continued)</b>		
Conditions still to be met - remain liabilities (see note 19).		
The purpose of the donations is to assist in minimizing infrastructure backlog.		
<b>Early Childhood Development Grant (Department of Social Development)</b>		
Balance unspent at beginning of year	11 124 523	9 576 292
Current-year receipts	8 500 000	3 000 000
Conditions met - transferred to revenue	(10 048 230)	(1 451 769)
	<b>9 576 293</b>	<b>11 124 523</b>
Conditions still to be met - remain liabilities (see note 19).		
The purpose of the grant is to promote social development within the communities.		
<b>Municipal Systems Improvement Grant</b>		
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 000)	(890 000)
	<b>-</b>	<b>-</b>
The purpose of the grant is to assist the municipality to perform its functions and stabilize institutional and governance systems as required in the Municipal Systems Act and related legislation.		
<b>Gauteng Department of Agriculture and Rural Development Grant</b>		
Current-year receipts	470 000	-
Conditions still to be met - remain liabilities (see note 19).		
The purpose of the grant is to assist the municipality with rural development programmes.		
<b>Learnership Grant</b>		
Current-year receipts	132 000	210 600
Conditions met - transferred to revenue	(132 000)	(210 600)
	<b>-</b>	<b>-</b>
The purpose of the grant is to recruit unemployed graduates in municipalities to be trained as per the requirements of the relevant statutory council/ professional body within the built environment.		
<b>Expanded Public Works Program</b>		
Current-year receipts	1 318 421	1 000 000
Conditions met - transferred to revenue	(1 318 421)	(1 000 000)
	<b>-</b>	<b>-</b>
The purpose of the grant is to provide expanded public works programme funding to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximized.		
<b>Other Grants</b>		
Balance unspent at beginning of year	595 254	-
Current-year receipts	1 000 000	2 000 000

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>32. Government grants and subsidies (continued)</b>		
Conditions met - transferred to revenue	(1 140 101)	(1 404 746)
	<b>455 153</b>	<b>595 254</b>

Conditions still to be met - remain liabilities (see note 19).

The purpose of other grants is to assist the municipality to perform its functions and stabilize institutional and governance systems as required in the Municipal Systems Act and related legislation.

### Electricity Demand Side Management Grant

Balance unspent at beginning of year	2 914	-
Current-year receipts	5 000 001	4 999 700
Conditions met - transferred to revenue	(3 962 460)	(4 996 786)
	<b>1 040 455</b>	<b>2 914</b>

Conditions still to be met - remain liabilities (see note 19).

The purpose of the grant is to provide subsidies to the municipality to implement energy efficiency and demand side management initiatives within municipal infrastructure, in order to reduce electricity consumption and improve energy efficiency.

### 33. Employee related costs

Acting allowances	75 298	160 506
Actuarial loss on employee benefit obligations	-	9 051 748
Basic	142 897 984	133 082 363
Bonus	14 062 398	6 873 555
Casual Labour	720 497	1 193 112
Cellphone allowance	1 244 507	436 899
Defined contribution plans	25 052 468	22 453 344
Group Insurance	332 753	309 493
Housing benefits and allowances	1 542 023	1 457 751
Leave pay	4 911 828	6 273 836
Medical aid - company contributions	11 611 077	10 476 233
Other allowances	196 801	65 106
Overtime payments	8 643 519	9 860 750
Salaries Stand-by	306 740	319 020
Skills Development Levy (SDL)	1 529 387	1 331 021
Study assistance	706 584	541 733
Travel, motor car, accommodation, subsistence and other allowances	5 488 215	4 519 658
Unemployment Insurance Fund (UIF)	1 074 785	1 018 698
	<b>220 396 864</b>	<b>209 424 826</b>

### Remuneration of Acting Municipal Manager: Steyn L

Annual Remuneration	1 061 824	-
Travel and other allowances	374 279	-
Contributions to UIF, Medical and Pension Funds	71 818	-
	<b>1 507 921</b>	<b>-</b>

The above director took the position of Acting Municipal Manager on 01 July 2014. In the previous period, The Acting Municipal Manager was paid by the Department of Cooperative Governance and Traditional Affairs (COGTA).

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>33. Employee related costs (continued)</b>		
<b>Remuneration of Chief Finance Officer: Kgatla SM</b>		
Annual Remuneration	888 631	362 973
Travel and other allowances	314 791	123 074
Contributions to UIF, Medical and Pension Funds	1 785	1 487
	<b>1 205 207</b>	<b>487 534</b>

The Chief Finance Officer was appointed on 07 February 2014.

### Remuneration of Director Infrastructure: Nkambule BE

Annual Remuneration	947 873	295 868
Travel and other allowances	254 968	79 967
Contributions to UIF, Medical and Pension Funds	1 785	33 010
	<b>1 204 626</b>	<b>408 845</b>

The above director was appointed on 01 March 2014.

### Remuneration of Acting Director Corporate Support Services: Mosina C

Annual Remuneration	710 936	901 167
Travel and other allowances	430 051	257 263
Contributions to UIF, Medical and Pension Funds	1 784	176 238
	<b>1 142 771</b>	<b>1 334 668</b>

The above director took up the acting position on 01 July 2014. In the previous period, this position was occupied by Steyn L.

### Remuneration of Director Public Safety: Mampondo KM

Annual Remuneration	627 701	598 820
Travel and other allowances	258 693	183 563
Contributions to UIF, Medical and Pension Funds	63 022	7 665
	<b>949 416</b>	<b>790 048</b>

The above director is acting in this position from 01 December 2013.

### Remuneration of Director Social Services: Matshego TMM

Annual Remuneration	943 118	289 835
Travel and other allowances	280 898	86 000
Contributions to UIF, Medical and Pension Funds	1 785	1 190
	<b>1 225 801</b>	<b>377 025</b>

The above director was appointed on 01 March 2014.

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>33. Employee related costs (continued)</b>		
<b>Remuneration of Director Development Planning: Moloi JT</b>		
Annual Remuneration	909 324	864 943
Travel and other allowances	275 518	258 000
Contributions to UIF, Medical and Pension Funds	56 485	156 550
	<b>1 241 327</b>	<b>1 279 493</b>

The above director was appointed on 01 August 2010.

The remuneration of staff is within the upper limits of the South African Local Government Association (SALGA) Bargaining Council determinations.

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## Notes to the Annual Financial Statements

Figures in Rand

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### 34. Remuneration of councillors

Councillors

16 224 527

14 071 932

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

2015	Appointment date	Annual remuneration	Accommodation, subsistence, travel and other allowances	Total
Thebenare SE (Former Executive Mayor)	01/03/2006	398 583	163 332	561 915
Khumalo ME (Executive Mayor)	01/06/2011	557 597	190 198	747 795
Grobler MC (Mayoral committee)	06/12/2000	476 590	161 410	638 000
Matuwane PT (Mayoral committee)	06/12/2000	476 590	161 410	638 000
Ntsepo X (Mayoral committee)	01/03/2006	476 590	161 410	638 000
Mahuma B (Speaker)	01/03/2006	489 022	164 518	653 540
Legoete YI (Council Whip)	01/10/2008	476 590	161 410	638 000
Matshuisa LS (Mayoral committee)	01/06/2011	476 590	161 410	638 000
Sampson A (Mayoral committee)	01/06/2011	476 590	161 410	638 000
Matakane SS (Mayoral committee)	01/03/2006	476 590	161 410	638 000
Kimane MT (Mayoral committee)	01/06/2011	476 590	161 410	638 000
Gama ML (Mayoral committee)	01/01/2015	186 509	53 583	240 092
Matshogo FO (MPAC)	01/12/2010	427 354	145 995	573 349
Handula SS	06/12/2000	192 070	77 086	269 156
Rooskrantz BS	01/06/2011	192 070	77 086	269 156
May S	01/06/2011	192 070	77 086	269 156
Mavuso TBN	01/03/2010	192 070	77 086	269 156
Erasmus GA	01/12/2003	192 070	77 086	269 156
Harrison C	21/11/2004	192 070	77 086	269 156
Du Plessis EP	27/10/2005	192 070	77 086	269 156
Bezuidenhout GP	01/03/2006	192 070	77 086	269 156
Mananiso T	01/03/2006	192 070	77 086	269 156
Cloete D	01/06/2011	192 070	77 086	269 156
Beaufort EJR	01/05/2009	192 070	77 086	269 156
Nawa SW	01/05/2010	192 070	77 086	269 156
Faku PK	01/06/2011	192 070	77 086	269 156
Mbangeni MJ	01/06/2011	192 070	77 086	269 156
Ndebele GM	01/06/2011	192 070	77 086	269 156
Mapena PS	01/06/2011	192 070	77 086	269 156
Mogale MD	01/06/2011	192 070	77 086	269 156
Dick P	01/06/2011	192 070	77 086	269 156
Van Tonder AJ	01/06/2011	192 070	77 086	269 156
Sello MM	01/03/2012	192 070	77 086	269 156
Kruger G	01/06/2011	192 070	77 086	269 156
Simon P	01/06/2011	192 070	77 086	269 156
Matebesi B	01/06/2011	192 070	77 086	269 156
Bogale MJ	01/06/2011	192 070	77 086	269 156
Kutoane MJ	01/06/2011	192 070	77 086	269 156
Francis PL	01/06/2011	192 070	77 086	269 156
Dreyer BC	01/09/2012	192 070	77 086	269 156
Bock SM	01/11/2012	192 070	77 086	269 156
De Lange EW	01/02/2014	192 070	77 086	269 156
Mogapi KD	01/06/2011	192 070	77 086	269 156
Beaufort EJR	01/05/2009	192 070	77 086	269 156
		<b>11 825 955</b>		<b>4 398 572</b>
				<b>16 224 527</b>

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### 34. Remuneration of councillors (continued)

2014	Appointment date	Annual remuneration	Accommodation, subsistence, travel and other allowances	Total
Thebenare SE (Executive Mayor)	01/03/2006	529 348	223 661	753 009
Khumalo ME (Speaker)	01/06/2011	423 780	162 378	586 158
Grobler MC (Mayoral committee)	06/12/2000	397 390	152 831	550 221
Matuwane PT (Mayoral committee)	06/12/2000	397 390	152 831	550 221
Ntsepo X (Mayoral committee)	01/03/2006	397 390	152 831	550 221
Mahuma B (Mayoral committee)	01/03/2006	397 390	152 831	550 221
Legoete YI (Chief Whip)	01/10/2008	397 390	152 831	550 221
Matshuisa LS (Mayoral committee)	01/06/2011	397 390	152 831	550 221
Sampson A (Mayoral committee)	01/06/2011	397 390	148 583	545 973
Matakane SS (Mayoral committee)	01/03/2006	397 390	152 831	550 221
Kimane MT (Mayoral committee)	01/06/2011	397 390	152 831	550 221
Handula SS	06/12/2000	159 854	73 654	233 508
Rooskrantz BS	01/06/2011	159 854	73 654	233 508
May S	01/06/2011	159 854	73 654	233 508
Mavuso TBN	01/03/2010	159 854	73 654	233 508
Erasmus GA	01/12/2003	159 854	73 654	233 508
Harrison C	21/11/2004	159 854	73 654	233 508
Du Plessis EP	27/10/2005	161 209	72 299	233 508
Bezuidenhout GP	01/03/2006	159 854	73 654	233 508
Mananiso T	01/03/2006	159 854	73 654	233 508
Cloete D	01/06/2011	159 854	73 654	233 508
Nawa SW	01/05/2010	159 854	73 654	233 508
Matshogo FO	01/12/2010	159 854	73 654	233 508
Faku PK	01/06/2011	155 458	73 654	229 112
Mbangeni MJ	01/06/2011	158 494	75 014	233 508
Ndebele GM	01/06/2011	157 139	76 369	233 508
Mapena PS	01/06/2011	159 854	73 654	233 508
Mogapi KD	01/06/2011	159 854	73 654	233 508
Mogale MD	01/06/2011	159 854	73 654	233 508
Dick P	01/06/2011	159 854	73 654	233 508
Van Tonder AJ	01/06/2011	159 854	73 654	233 508
Sello MM	01/03/2012	159 854	73 654	233 508
Kruger G	01/06/2011	159 854	73 654	233 508
Simon P	01/06/2011	159 854	73 654	233 508
Matebesi B	01/06/2011	159 854	73 654	233 508
Bogale MJ	01/06/2011	159 854	73 654	233 508
Kutoane MJ	01/06/2011	159 854	73 654	233 508
Francis PL	01/06/2011	159 854	73 654	233 508
Dreyer BC	01/09/2012	159 854	73 654	233 508
Bock SM	01/11/2012	159 854	73 654	233 508
De Lange EW	01/02/2014	67 480	30 690	98 170
Blake BD	01/02/2000	159 851	73 654	233 505
Beaufort EJR	01/05/2009	155 458	73 654	229 112
Steenkamp SP	01/03/2006	50 273	20 888	71 161
Lebopa AI	01/03/2006	277 715	108 025	385 740
		<b>9 869 065</b>	<b>4 202 867</b>	<b>14 071 932</b>

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### 34. Remuneration of councillors (continued)

At 30 June 2015, Thebenare SE was no longer in service. Termination date 31/03/2015).

At 30 June 2014, the following councillors were no longer in service:

Lebopa AI (termination date 30/03/2014)

Steenkamp SP (termination date 04/10/2013)

All other councillors listed above were still in service at 30 June 2015.

### In kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are provided with an office and secretarial support at the cost of the Council.

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

The Mayor has two full-time bodyguards. The Speaker has one full-time bodyguard.

### 35. Debt impairment

Contributions to allowance for impairment	23 008 388	40 795 993
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### 36. Depreciation, amortisation and impairment

Property, plant and equipment	84 375 154	86 574 155
Intangible assets	1 021 908	1 021 908
	<b>85 397 062</b>	<b>87 596 063</b>

### 37. Finance costs

Trade and other payables	19 403 265	20 527 653
Finance leases	276 089	1 857 864
Current borrowings	1 280 000	2 102 667
	<b>20 959 354</b>	<b>24 488 184</b>

### 38. Bulk purchases

Electricity	304 243 420	277 250 762
Water	58 876 772	52 320 951
	<b>363 120 192</b>	<b>329 571 713</b>

### 39. Contracted services

Credit cost control	6 013 644	3 729 400
Private contractor	1 426 582	1 158 101
Pre-paid vending cost	7 494 388	6 927 117
Security services	9 541 241	6 000 022
Westonaria sewerage disposal	8 947 368	7 625 246
	<b>33 423 223</b>	<b>25 439 886</b>

### 40. Grants and subsidies paid

#### Other subsidies

Society for the Prevention of Cruelty to Animals (SPCA)	420 000	420 000
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<b>41. General expenses</b>		
50kWH free electricity	1 445 266	1 318 368
6kl water (free)	7 432 343	8 182 395
Advertising	576 716	727 587
Audit committee costs	301 331	224 591
Auditors remuneration	4 792 942	4 011 166
Bank charges	4 515 723	3 820 853
Cleaning	266 157	633 620
Conferences and seminars	14 686	-
Consulting and professional fees	7 729 610	11 576 100
Consumables	462 013	326 796
Delegation	159 807	372 226
Electricity	4 762 565	7 146 338
Employee Assistance Program and OHSA	301 868	78 233
Entertainment	30 538	61 903
Expanded public works programme	6 249 158	3 067 367
Farming	141 438	590 857
Fuel and oil	4 553 521	4 377 252
IT expenses	988 090	691 435
Indigent subsidy - Electricity	250 813	208 877
Indigent subsidy - Refuse	11 326 170	9 576 703
Indigent subsidy - Sewerage	7 157 615	6 039 325
Indigent subsidy - Two room houses	48 645	55 020
Indigent subsidy - Assessment rates	489 235	-
Indigent subsidy - Water	2 874 921	-
Indigents	88 868	234 566
Insurance	1 891 193	2 038 875
LED expenses	169 985	492 040
Magazines, books and periodicals	1 348 352	142 014
Marketing and communication	136 970	260 180
Motor vehicle expenses	1 285 249	1 044 565
Municipal events and improvement	1 276 609	2 408 343
Other expenses	2 698 305	3 429 839
Pest control	229 981	205 009
Postage and courier	1 299 734	1 485 870
Printing and stationery	827 788	747 367
Projects	995 581	226 396
Protective clothing (uniforms)	1 299 338	1 273 437
Provision for regional master plan	76 456	305 719
Public participation	355 781	355 101
R1 for R1 settlement	1 450 483	1 110 871
Refuse	-	25 276
Refuse bin subsidy	69 912	64 177
Removal of illegal dumping	257 372	394 517
Rental expenses	3 575 736	5 843 525
Sewerage and waste disposal	4 247	129
Software license fees	1 716 122	1 585 631
Sports, parks and recreation facilities	153 644	567 726
Stock adjustment	-	67 942
Subscriptions and membership fees	2 459 165	3 993 136
Telephone and fax	1 469 884	1 746 980
Traffic control expense	-	350 470
Training	773 862	1 216 335
Ward committee	1 372 539	1 351 005
	<b>94 154 327</b>	<b>96 054 053</b>

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<b>42. Fair value adjustments</b>		
Biological assets	33 932	(217 858)
Investment property	(3 258 782)	(10 581 809)
	<b>(3 224 850)</b>	<b>(10 799 667)</b>
<b>43. Auditors' remuneration</b>		
Fees	<b>4 792 942</b>	<b>4 011 166</b>
<b>44. Cash (used in)/ generated from operations</b>		
Surplus/ (deficit)	(56 230 753)	(98 453 519)
<b>Adjustments for:</b>		
Depreciation and amortisation	85 397 061	87 596 063
Loss/ (gain) on sale of assets and liabilities	28 113 056	15 642 081
Loss/ (gain) on sale of houses	-	(59 940)
Fair value adjustments	3 224 850	10 799 667
Finance costs - Finance leases	276 089	1 857 864
Debt impairment	23 008 388	40 795 993
Movements in retirement benefit assets and liabilities	7 712 804	16 256 208
Movements in provisions	4 237 175	(11 457 591)
Public contributions and donations (Donated assets)	(5 122 385)	(9 979 633)
<b>Changes in working capital:</b>		
Inventories	721 166	3 621 148
Receivables from non-exchange transactions	5 508 949	(11 334 241)
Trade and other receivables from exchange transactions	(41 384 091)	(29 080 187)
Payables from exchange transactions	(10 452 612)	73 368 452
VAT	(2 611 287)	(774 157)
Trade and other payables from non-exchange transactions	109 894	1 841 459
Unspent conditional grants and receipts	(4 845 180)	(23 919 738)
Consumer deposits	2 856 501	2 683 003
	<b>40 519 625</b>	<b>69 402 932</b>

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<b>45. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	31 648 288	42 743 235
<b>Total capital commitments</b>		
Already contracted for but not provided for	31 648 288	42 743 235
This committed expenditure relates to infrastructure and community assets and will be financed by retained surpluses, and external funding.		
<b>Operational expenditure</b>		
<b>Minimum payments due</b>		
- within one year	19 154 932	6 055 770
- in second to fifth year inclusive	25 189 310	5 413 200
	<b>44 344 242</b>	<b>11 468 970</b>

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of 3 years and rentals are fixed for an average of 3 years. No contingent rent is payable.

Operating commitments will be financed by external sources.

Included in operating deficit is minimum lease payments of R 3 575 736 (2014: R 5 843 525). There were no contingent lease payments or sublease payments.

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<b>46. Contingencies</b>		
Claim against the municipality for injuries sustained in June 2004 by Marina Nolte	1 200 000	1 200 000
Claim by Kingfisher outdoor products In respect of interest on incorrect billing	-	149 475
Claim by Lubbe Construction (Pty) Ltd: Payment for Services rendered	16 672 305	16 672 305
Claim by SM Thabalaka for TP vehicle damage due to potholes	8 406	8 406
Claim by PJ De Wet for TP vehicle damage due to potholes	1 550	1 550
Claim by Me Lorette Grové in respect of third party injury	1 483	1 483
Claim by Me Gladys Mahobane iro personal injury resulting from roads and storm water construction activities	34 300	34 300
Claim by Zimasile Investments CC regarding injury to an employee by residents while doing work for the municipality.	-	61 140
Claim by Kotela Maine Project Managers and Property Developers (Pty) Ltd for services rendered.	-	228 855
Claim by Rescue Rod (Pty) Ltd for breach of contract and services rendered	-	302 888
Possible claim by H Kluyts for damages to a vehicle as a result of traffic signs that were not properly marked	25 606	25 606
Claim by L.C.M. Orton for unlawful/wrongful arrest	100 000	100 000
Claim by Mrs. A S Luthers for constructive dismissal. Applicant claims salary discrepancy as reason for resignation.	-	30 000
Claim by Yebo Gogo motors for storage.	97 844	97 844
Claim by R J Panelbeaters against the municipality for services rendered.	31 831	31 831
Claim by Aranda Textile for loss of income due to power outages	612 513	612 513
Claim by Khumalo and others for unfair dismissal	-	50 000
Claim by T G Mpompi in respect of the interpretation of collective agreement.	-	75 000
Claim by Mokhele in respect of the interpretation of collective agreement.	140 000	140 000
Claim by E Mako in respect of interpretation of collective agreement.	-	520 000
Claim by LT Mogapi in respect of interpretation of collective agreement.	-	290 000
Claim by J. Kolo in respect of unfair dismissal.	39 106	39 106
Claim by D. Tlhapane in respect of unfair dismissal.	-	851 592
Claim by S. Makhale in respect of unfair dismissal.	2 925 000	2 925 000
Claim by Z Gcsamba for constructive dismissal	-	1 903 838
Thabo P Mthembu is suing for damages for an unlawful arrest, damages to property and legal fees	237 000	237 000
Claim against the municipality for car damages by the municipality's employee.	95 340	95 340
Claim by Mr Grobler against the municipality for eviction application	6 500 000	6 500 000
Quill Associates is suing for continuous use of computer software even after termination of contract and outstanding fees for maintenance services rendered.	4 731 000	4 731 000
Claim for damages suffered by Sivenkosi Nandise due to negligent driving by an employee of the municipality.	35 887	35 887
Claim by Mok0duo Incorporated for legal services rendered.	399 595	399 595
Claim by Van Greunen Ann-Marie for damages and loss of income due to negligence that caused the death of her husband.	1 698 928	1 698 928
Claim by Muaz Dladla Decor and Projects for the outstanding payment for the services rendered to the municipality	851 400	851 400
Damages suffered by Nick Taljaard as result of a pothole.	6 974	6 974
Claim by Nurcha Development Finance (Pty) Ltd for breach of contract.	-	2 925 125
Damages sustained by Maureen Sila as a result of failure to have covered/repaired an open manhole that she fell into.	773 000	773 000
Damages sustained by Kenyaditswe Selinah Mokgakala as a result of failure to have covered/repaired an open manhole that she fell into.	550 000	550 000
Damages sustained by Thembakazi Buso as a result of failure to have covered/repaired an open manhole that she fell into.	550 000	550 000
Damages sustained by Matlakala Martha Kgarudi as a result of failure to have covered/repaired an open manhole that she fell into.	360 000	350 000
Damages sustained by Christo Dekker as a result of failure to have covered/repaired an open manhole that he fell into.	5 000	50 000
Labour dispute by Selloane Makhale	-	100 000

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<b>46. Contingencies (continued)</b>		
Claim by PPB Mosing for damages due to municipality's failure to clear a refuse dump	87 410	87 410
Damages sustained by Mahlaba Ramogohlo Welhemina as a result of failure to have covered/repaired an open manhole that she fell into	400 000	-
Claim by Hendrick Botha for car damages due to a pot hole	19 573	-
Claim by Johannes Hendrikus Lensley for car damages due to a pot hole	28 194	-
Claim by Pipe Jack for services rendered	2 394 103	-
Claim by Enzani Technologies for services rendered	1 597 226	-
Claim by TM Security due to tender cancellation by the Municipality	309 634	-
Claim by Sidas Mobotwane to prevent the municipality from awarding a tender	23 000 000	-
Claim by Magdalena Reynecke for damage due to potholes	750	-
Claim by Willem Wessels for damage due to potholes	850	-
Claim by Maria Le Roux for damage due to potholes	35 754	-
Claim by Edward John Barkley for damage due to potholes	1 995	-
Claim by Phineas Pitso for damage due to potholes	4 790	-
Claim by Tseketske Mohapi for damage due to potholes	560	-
Claim by Hoosen Ravat for damage due to potholes	1 991	-
Claim by Pieter Nel for damage due to potholes	13 774	-
Claim by Mzola Ramba for damage due to potholes	2 003	-
Claim by Jacob van Wyk for damage due to potholes	1 950	-
Claim by Harry Tshwale for damage due to potholes	4 900	-
Claim by Zacharias du Plessis for damage due to potholes	2 150	-
Claim by Fellesta Philander for damage due to potholes	6 650	-
Claim by Neville Miller due to motor vehicle accident	4 925	-
Claim by Marie Coetzee for damage due to potholes	13 999	-
Claim by C Heinz due to unfair labour practice	100 000	-
	<b>66 717 249</b>	<b>46 294 391</b>

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### 47. Related parties

Relationships		
Accounting Officer	Refer to note 33	
Mayor	Refer to note 34	
Speaker	Refer to note 34	
Council Whip	Refer to note 34	
Councillors	Refer to note 34	
Inter- governmental relations	Refer to note 32	
Members of key management	Refer to note 33	
Employees and organisations in which they have a direct or indirect material interest	Refer to related party transactions below	

### Purchases from/ (sales to) related parties: Organisations in which councilors and/or employees have a direct or indirect material interest

Shumba Event Solutions CC	60 200	152 500
Ray Joe Funeral Palour	12 500	5 000
Momatshe Trading	-	35 500
Boipelo Moahlodi Touring	-	2 025
Frecajoy Security CC	5 130	4 446
Andre Rossouw Motors	4 252 888	3 947 244
Trans Wide Cellular	-	7 920
Bhang Business Enterprise	-	54 378
Tiro Ya Sechaba Projects	544 024	571 640
Side Point Trading 283	197 399	221 668
What A Girl Trading	-	6 487
S & M Water Solutions	2 084 425	2 498 473
Kush Trans	14 000	22 400
Adams 42 General	-	14 910
	<b>7 170 566</b>	<b>7 544 591</b>

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### 48. Prior period errors

The prior year has been amended to account for prior period errors.

Below is a summary of the total effect that the prior period errors had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

Statement of Financial Performance for the year ended 30 June 2014	Balance as previously reported	Prior period error	Restated balance
<b>Revenue</b>			
Public contributions and donations	9 115 233	864 400	9 979 633
Fines	5 209 968	3 596 212	8 806 180
<b>Total revenue</b>	<b>14 325 201</b>	<b>4 460 612</b>	<b>18 785 813</b>
<b>Expenditure</b>			
Employee related costs	(214 984 795)	5 559 969	(209 424 826)
Debt impairment	(39 316 294)	(1 479 699)	(40 795 993)
Depreciation, amortisation and impairment	(100 854 490)	13 258 427	(87 596 063)
Finance costs	(24 697 508)	209 325	(24 488 183)
Repairs and maintenance	(15 771 904)	(542 862)	(16 314 766)
Contracted services	(24 897 374)	(542 512)	(25 439 886)
General expenses	(95 945 753)	(108 300)	(96 054 053)
Loss on disposal of assets	(15 523 160)	-	(15 642 081)
<b>Total expenditure</b>	<b>(531 991 278)</b>	<b>16 354 348</b>	<b>(515 755 851)</b>
 Fair value adjustments	 (12 195 839)	 -	 (10 799 667)
<b>Total fair value adjustments</b>	<b>(12 195 839)</b>	<b>-</b>	<b>(10 799 667)</b>

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<b>48. Prior period errors (continued)</b>			
<b>Statement of Financial Position as at 30 June 2014</b>			
<b>Assets</b>	Balance as previously reported	Prior period error	Restated balance
<b>Current Assets</b>			
Cash and cash equivalents	53 304 724	(107 623)	53 197 101
Receivables from non-exchange transactions	23 642 153	4 190 063	27 832 216
Inventories	5 406 585	(999 992)	4 406 593
Total current assets	<u>82 353 462</u>	<u>3 082 448</u>	<u>85 435 910</u>
<b>Statement of Financial Position as at 30 June 2014</b>			
<b>Assets</b>	Balance as previously reported	Prior period error	Restated balance
<b>Non-current Assets</b>			
Investment property	104 112 415	139 589 056	243 701 471
Property, plant and equipment	2 398 124 017	(86 399 986)	2 311 724 031
Total non-current assets	<u>2 502 236 432</u>	<u>53 189 070</u>	<u>2 555 425 502</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	222 434 972	(1 860 783)	220 574 189
Total current liabilities	<u>222 434 972</u>	<u>(1 860 783)</u>	<u>220 574 189</u>
<b>Non-current Liabilities</b>			
Provisions	18 112 712	(14 851 443)	3 261 269
Total non-current liabilities	<u>18 112 712</u>	<u>(14 851 443)</u>	<u>3 261 269</u>
<b>Net Assets</b>			
Accumulated surplus	2 301 843 290	73 996 181	2 375 839 471
Total net assets	<u>2 301 843 290</u>	<u>73 996 181</u>	<u>2 375 839 471</u>
<b>Investment property</b>			
Error 1			
Understatement of investment property by an amount of R 179 206 096 in periods before 2013 due to properties incorrectly recognised.			
The correction of the error results in adjustments as follows:			
Investment property	-	179 206 096	
Opening accumulated surplus	-	(179 206 096)	
	-	-	-

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Figures in Rand	2015	2014
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### 48. Prior period errors (continued)

#### Error 2

Understatement of investment property by R 4 957 219 in 2014 due to changes in fair value not accounted for correctly.

The correction of the error results in adjustments as follows:

Investment property	-	4 957 219
Fair value adjustments	-	(4 957 219)
	-	-

#### Property, plant and equipment

#### Error 3

Overstatement of property, plant and equipment by an amount of R 149 487 262 in periods before 2013 due to items of property, plant and equipment incorrectly recognised.

The correction of the error results in adjustments as follows:

Opening accumulated surplus	-	149 487 262
Property, plant and equipment (Community assets)	-	9 880 315
Property, plant and equipment (Buildings)	-	(4 440 023)
Property, plant and equipment (Infrastructure)	-	(150 454 447)
Property, plant and equipment (Capital work in progress)	-	(4 473 107)
	-	-
	-	-

#### Error 4

Misstatement of accumulated depreciation on property, plant and equipment by R 42 288 894 in periods before 2013 due to depreciation charged on assets that were incorrectly recognised.

The correction of the error results in adjustments as follows:

Property, plant and equipment (Buildings)	-	3 360 417
Property, plant and equipment (Infrastructure)	-	38 986 715
Property, plant and equipment (Community assets)	-	(58 238)
Opening accumulated surplus	-	(42 288 894)
	-	-
	-	-

#### Error 5

Misstatement of property, plant and equipment by R 5 531 673 in 2014 due to assets and related depreciation not recognised.

The correction of the error results in adjustments as follows:

Property, plant and equipment (Community assets)	-	1 874 478
Property, plant and equipment (Buildings)	-	56 620
Property, plant and equipment (Infrastructure)	-	8 541 540
Property, plant and equipment (Capital work in progress)	-	(4 940 965)
Depreciation, amortisation and impairment	-	(5 234 852)
Loss on disposal of assets	-	(296 821)

# Randfontein Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>48. Prior period errors (continued)</b>		
	_____	_____
	_____	_____
	_____	_____

### Error 6

Overstatement of property, plant and equipment by R 113 088 due to assets that should have been derecognised in 2014 and related depreciation charged on those assets.

The correction of the error results in adjustments as follows:

Loss on disposal of assets	-	164 342
Property, plant and equipment (Buildings)	-	(103 904)
Property, plant and equipment (Community assets)	-	(9 185)
Depreciation, amortisation and impairment	-	(51 253)
	_____	_____
	_____	_____

### Error 7

Understatement of property, plant and equipment by R 7 802 962 in 2014 due to incorrect recognition of impairment on capital work in progress.

The correction of the error results in adjustments as follows:

Property, plant and equipment (Capital work in progress)	-	7 802 962
Depreciation, amortisation and impairment	-	(7 802 962)
	_____	_____
	_____	_____

### Error 8

Misstatement of property, plant and equipment by R 3 094 966 in 2013 due to incorrect accumulated depreciation on leased assets.

The correction of the error results in adjustments as follows:

Property, plant and equipment (Leased assets)	-	3 094 966
Opening accumulated surplus	-	(3 094 966)
	_____	_____
	_____	_____

### Error 9

Understatement of property, plant and equipment by R 5 447 in periods before 2013 due to depreciation charged on work in progress incorrectly capitalised.

The correction of the error results in adjustments as follows:

Property, plant and equipment (Other assets)	-	5 447
Opening accumulated surplus	-	(5 447)
	_____	_____
	_____	_____

# Randfontein Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

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### 48. Prior period errors (continued)

#### Error 10

Understatement of property, plant and equipment by R 797 143 in 2014 due to donated motor assets not recognised in 2014.

The correction of the error results in adjustments as follows:

Property, plant and equipment (Other assets)	-	797 143
Depreciation, amortisation and impairment	-	67 257
Public contributions and donations	-	(864 400)
	_____	_____
	_____	_____

#### Error 11

Overstatement of property, plant and equipment by R 6 793 in 2014 due to depreciation erroneously reversed of plant and machinery in 2014.

The correction of the error results in adjustments as follows:

Depreciation, amortisation and impairment	-	6 793
Property, plant and equipment (Other assets)	-	(6 793)
	_____	_____
	_____	_____

#### Error 12

Overstatement of property, plant and equipment by R 542 862.39 in 2014 due to expenditure incorrectly capitalised.

The correction of the error results in adjustments as follows:

Repairs and maintenance	-	542 862
Property, plant and equipment (Capital work in progress)	-	(542 862)
	_____	_____
	_____	_____

#### Error 13

Understatement of property, plant and equipment by R 417 130 in 2014 due to capital work in progress not recognised.

The correction of the error results in adjustments as follows:

Property, plant and equipment (Capital work in progress)	-	417 130
Trade and other payables from exchange transactions	-	(417 130)
	_____	_____
	_____	_____

#### Error 14

Assets incorrectly accounted for in years prior to 2013.

The correction of the error results in adjustments as follows:

# Randfontein Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>48. Prior period errors (continued)</b>		
Accumulated surplus	-	37 064 818
Community assets	-	(474 601)
Investment property	-	(40 633 212)
Infrastructure assets	-	14 284 183
Buildings	-	151 125
Accumulated depreciation: Community assets	-	620 345
Accumulated depreciation: Buildings	-	477 516
Accumulated depreciation: Infrastructure assets	-	(11 490 174)
	<hr/>	<hr/>
	<hr/>	<hr/>

Error 15

Change in fair value adjustment and the disposal of Investment property, incorrectly accounted for in years prior to 2014.

### Heading

Accumulated surplus	-	380 000
Fair value adjustments	-	3 561 047
Investment property	-	(3 941 047)
	<hr/>	<hr/>
	<hr/>	<hr/>

Error 16

Depreciation incorrectly calculated in 2014.

### Heading

Depreciation	-	(243 410)
Accumulated depreciation: Community assets	-	278 428
Accumulated depreciation: Buildings	-	(113 119)
Accumulated depreciation: Buildings	-	78 101
	<hr/>	<hr/>
	<hr/>	<hr/>

### Receivables from non-exchange transactions

Error 17

Understatement of receivables from non-exchange transactions in 2014 and prior periods due to non recognition of debtors in respect of traffic fines issued.

The correction of the error results in adjustments as follows:

Receivables from non-exchange transactions	-	4 190 063
Debt impairment	-	1 479 698
Fines	-	(3 596 212)
Opening accumulated surplus	-	(2 073 549)
	<hr/>	<hr/>
	<hr/>	<hr/>

### Provisions

Error 18

Overstatement of provisions in 2014 due to unwinding of finance cost recognised in provisions.

The correction of the error results in adjustments as follows:

# Randfontein Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>48. Prior period errors (continued)</b>		
Provisions	-	209 325
Finance cost	-	(209 325)
	<hr/>	<hr/>
	<hr/>	<hr/>

Error 19

Derecognition of performance bonuses in 2014 and prior years.

### Heading

Performance bonus - Employee cost	-	(3 595 957)
Accumulated surplus	-	(11 046 161)
Provisions	-	14 642 118
	<hr/>	<hr/>
	<hr/>	<hr/>

### Payables from exchange transactions

Error 20

Understatement of payables from exchange transactions by R 11 269 in 2014 due to transactions incorrectly recognised.

The correction of the error results in adjustments as follows:

General expenses	-	21 660
Contracted services	-	542 511
Payables from exchange transactions	-	(11 269)
Opening accumulated surplus	-	(552 902)
	<hr/>	<hr/>
	<hr/>	<hr/>

### Cash and cash equivalents

Error 21

Understatement of cash and cash equivalents by R 411 806 due to incorrect recognition of transactions incurred and paid in 2014.

The correction of the error results in adjustments as follows:

General expenses	-	86 640
Employee related cost	-	325 166
Cash and cash equivalents	-	(411 806)
	<hr/>	<hr/>
	<hr/>	<hr/>

### Agency fees

Error 22

Agency fees not recognised in 2014

### Heading

Receivables	-	1 316 620
Income from agency services	-	(1 316 620)
	<hr/>	<hr/>

# Randfontein Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>48. Prior period errors (continued)</b>	_____	_____
<b>Employee cost</b>		
Error 23		
Prior year leave accrual incorrectly calculated.		
<b>Heading</b>		
Employee cost	-	(2 289 169)
Trade payables: Leave accrual	-	2 289 169
	_____	_____
	-	-
	_____	_____

### Comparative figures

Certain comparative figures have been reclassified.

In prior periods, land totalling R34 697 939 was aggregated with buildings in the financial statement disclosure notes for property, plant and equipment.

The effects of the reclassification is as follows:

Property, plant and equipment (Land)	-	34 697 939
Property, plant and equipment (Buildings)	-	(34 697 939)
	_____	_____
	-	-

# Randfontein Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 49. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including fair value interest rate risk and price risk),

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	210 121 576	-	-	-
Payables from non-exchange transactions	2 595 001	-	-	-
Consumer deposits	31 608 115	-	-	-
Other financial liabilities	1 896 937	6 193 295	-	-
Unspent conditional grants and receipts	17 065 076	-	-	-
At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	220 574 188	-	-	-
Payables from non-exchange transactions	2 485 107	-	-	-
Consumer deposits	28 751 614	-	-	-
Other financial liabilities	1 636 499	5 531 054	2 559 178	-
Finance lease obligation	9 012 535	-	-	-
Unspent conditional grants and receipts	21 910 257	-	-	-

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2015	2014
Cash and cash equivalents	31 510 310	53 197 101
Receivables from exchange transactions	42 430 050	40 067 231
Receivables from non-exchange transactions	35 752 077	27 832 216
Other financial assets	10 865 792	10 232 480

#### Market risk

##### Risk from biological assets that form part of an agricultural activity

The municipality is exposed to financial risks arising from changes in milk prices. The municipality does not anticipate that milk prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in milk prices. The municipality reviews its outlook for milk prices regularly in considering the need for active financial risk management.

#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

# Randfontein Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 49. Risk management (continued)

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

### 50. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure funding for the ongoing operations for the municipality.

### 51. Events after the reporting date

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year to the date of authorisation of these financial statements.

### 52. Unauthorised expenditure

Opening balance	53 256 645	53 175 925
Add: Expenditure incurred without council approval	-	80 720
Less: unauthorised expenditure written off	(80 720)	-
	<b>53 175 925</b>	<b>53 256 645</b>

#### Action taken/ to be taken in respect of unauthorised expenditure

Management submitted all unauthorised expenditure incurred in prior periods to council for investigation and for write off. At 30 June 2015, all expenditure not yet written off was being investigated by the Municipal Public Accounts Committee.

No criminal or disciplinary steps have been taken as a consequence of the above expenditure.

### 53. Fruitless and wasteful expenditure

Opening balance	31 822 849	17 066 018
Interest on arrear account- Eskom	11 030 905	14 638 792
Interest on arrear account- OTIS	126	-
Interest on arrear account- Rand Water	480	10 654
Interest on arrear account- SARS	211 445	-
Interest on arrear account- Telkom	2 361	-
Interest on arrear account- Makoduo Attorneys	-	31 143
Interest on arrear account- Vizual Solutions	-	1 600
Acting allowances overpaid	-	74 642
Interest on arrear account- Universal Cables CC	513	-
Less: Fruitless and wasteful expenditure condoned	(29 470 265)	-
	<b>13 598 414</b>	<b>31 822 849</b>

#### Action taken/ to be taken in respect of fruitless and wasteful expenditure

Management submitted all fruitless and wasteful expenditure incurred in prior periods up to 31 March 2015 to council for investigation and write off. At 30 June 2015, all expenditure not yet written off was being investigated by the Municipal Public Accounts Committee.

Fruitless and wasteful expenditure incurred after 31 March 2015 will be submitted to council for investigation and write off.

No criminal or disciplinary steps have been taken as a consequence of the above expenditure.

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>54. Irregular expenditure</b>		
Opening balance	140 852 156	104 893 840
Add: Irregular Expenditure - current year	164 556 251	35 958 316
Less: Amounts written off	(131 033 671)	-
	<b>174 374 736</b>	<b>140 852 156</b>
<b>Analysis of expenditure awaiting write off per age classification</b>		
Current year	164 556 251	-
Prior years	9 818 485	104 893 840
	<b>174 374 736</b>	<b>104 893 840</b>
<b>Details of irregular expenditure – current year</b>		
Budgeted and approved expenditure for which the procurement process as prescribed was not followed		8 630
<b>Action taken/ to be taken in respect of irregular expenditure</b>		
Management submitted all irregular expenditure incurred in prior periods up to 31 March 2015 to council for investigation and write off. At 30 June 2015, all expenditure not yet written off was being investigated by the Municipal Public Accounts Committee.		
Management will submit all irregular expenditure incurred after 31 March 2015 to council for investigation and write off.		
<b>Details of irregular expenditure written off</b>		
Budgeted and approved expenditure incurred in prior periods without following the procurement process as prescribed	Written off by Council	131 033 671
<b>55. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
<b>South African Local Government Association (SALGA)</b>		
Current year subscription / fee	2 467 540	3 800 647
Amount paid - current year	(2 467 540)	(3 800 647)
	-	-
<b>Audit fees</b>		
Opening balance	951 375	(2 971)
Current year fee	4 792 942	4 011 166
Amount paid - current year	(4 792 942)	(3 056 820)
	<b>951 375</b>	<b>951 375</b>
<b>PAYE and UIF</b>		
Current year expense	30 973 292	32 549 751
Amount paid - current year	(30 973 292)	(32 549 751)
	-	-

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 55. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### VAT

VAT receivable	7 017 833	4 406 546
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#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Dreyer BC	-	11 349	11 349
30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Dreyer BC	-	16 848	16 848
Kutoane MJ	-	8 500	8 500
Nomandla MZ	-	6 000	6 000
	-	31 348	31 348

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Council. The expenses incurred as listed hereunder have been condoned.

A register of deviations is available as per paragraph 36(2) of the Municipal Supply Chain Management Policy.

#### Incident

Emergency	2 882 034	2 906 721
Sole supplier	2 144 112	1 043 857
Impractical or impossible to follow procurement process	799 340	90 238
	5 825 486	4 040 816

In terms of S45 of the Supply Chain Management Policy the accounting officer must ensure that the notes to the financial statements disclose particulars of any award of more than R2000.00 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including:

- the name of that person
- the capacity in which that person is in the service of the state; and
- the amount of the award.

Award made to Takgalang Consulting CC in which Ramatapa MR who is an employee of Eskom Holdings Ltd has an interest	-	3 044 860
Award made to Sunrise Electrical Wholesalers in which Takalani R.M who is an employee of SA National Parks has an interest	-	371 000
	-	3 415 860

# Randfontein Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

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### 56. Material losses incurred

2015	Kilolitres	Rand Value	Percentage
Water	<u>2 256 217</u>	<u>27 209 780</u>	<u>22 %</u>
Electricity	<b>Kilowatts</b> <u>55 628 508</u>	<b>Rand Value</b> <u>30 843 879</u>	<b>Percentage</b> <u>13 %</u>
2014	Kilolitres	Rand Value	Percentage
Water	<u>1 684 465</u>	<u>14 355 946</u>	<u>16 %</u>
Electricity	<b>Kilowatts</b> <u>56 348 423</u>	<b>Rand Value</b> <u>29 252 057</u>	<b>Percentage</b> <u>13 %</u>

### 57. Budget differences

#### Material differences between budget and actual amounts

All budget fluctuations above 10% in comparison to actual results for the year were considered material and are explained below:

#### Statement of financial performance

# Randfontein Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 57. Budget differences (continued)

#### 57.1 Service charges

Awaiting installation of water and electricity meters in new areas.

#### 57.2 Rental of facilities and equipment

Other facilities not in operation during the year.

#### 57.3 Interest received - trading

Collected less than anticipated.

#### 57.4 Income from agency services

Variance accepted as reasonable.

#### 57.5 Licences and permits

Expected revenue was over estimated.

#### 57.6 Other income

Revenue enhancement strategy did not yield budgeted results during the year.

#### 57.7 Other farming income

Variance accepted

#### 57.8 Interest received - investment

More surplus cash was invested.

#### 57.9 Fines

Strict enforcement of by-laws

#### 57.10 Property rates

Variance accepted as reasonable.

#### 57.11 Government grants and subsidies

Additional grants were received during the year.

#### 57.12 Public contributions and donations

Capital donations received which were unforeseen at the time of preparing the budget.

#### 57.13 Employee related costs

Variance accepted as reasonable.

#### 57.14 Remuneration of Councillors

Variance accepted as reasonable.

#### 57.15 Depreciation, amortisation and impairment

Correction of prior period errors on depreciation overstatement.

#### 57.16 Finance costs

Interest on overdue Eskom account.

#### 57.17 Debt impairment

Uncollectable debts were written off. Less debt impaired than was originally planned.

#### 57.18 Repairs and maintenance

Some repairs and maintenance were delayed due to cash flow challenges.

#### 57.19 Bulk purchases

New water connections which cost more than anticipated.

#### 57.20 Contracted services

# Randfontein Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 57. Budget differences (continued)

Appointment of contractors during the year to improve service delivery.

#### 57.21 Grants and subsidies paid

No deviation from budgeted expenditure.

#### 57.22 General expenses

Cost curtailment measures.

#### 57.23 Loss on disposal of assets

Not budgeted for.

#### 57.24 Fair value adjustments

Not budgeted for.

### Statement of financial position

#### 57.25 Inventories

Appointment of as and when contractors to reduce stock damage.

#### 57.26 Trade and other receivables from non exchange transactions

Increase in sundry debtors due to lack of employment.

#### 57.27 VAT receivable

There was more expenditure than revenue during the year hence the increase in VAT receivable that was not anticipated.

#### 57.28 Trade and other receivables from exchange transactions

Variance accepted as reasonable.

#### 57.29 Long term receivables

Budget was for gross amounts as compared to the actual figures.

#### 57.30 Cash and cash equivalents

Short term investments were made to ring fence unspent grants received.

#### 57.31 Biological assets that form part of an agricultural activity

Over estimation.

#### 57.32 Investment property

Correction of understatement of investment property that was unforeseen during budget preparation.

#### 57.33 Property, plant and equipment

Correction of misstatements that were unforeseen during budget preparation.

#### 57.34 Heritage assets

budgeted for under other assets.

#### 57.35 Intangible assets

Variance accepted as reasonable.

#### 57.36 Other financial assets

Variance accepted as reasonable.

#### 57.37 Other financial liabilities

The municipality did not borrow as budgeted.

#### 57.38 Finance lease obligation

The municipality did not borrow as budgeted.

#### 57.39 Trade payables from exchange

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 57. Budget differences (continued)

Most contracts were awarded towards the end of the year.

#### 57.40 Trade and other payables from non exchange transactions

Not budgeted for.

#### 57.41 Consumer deposits

More deposits received than expected.

#### 57.42 Unspent conditional grants and receipts

Some contracts were awarded towards year end.

#### 57.43 Provisions

Provisions at year end were more than expected at the time of budget preparation.

#### 57.44 Employee benefit obligations

unforeseen fluctuation in actuarial valuations at the time of budget preparation.

### Statement of cashflows

#### 57.45 Sale of goods and services

Variance accepted as reasonable.

#### 57.46 Grants

Some contracts were awarded towards the end of the financial year.

#### 57.47 Interest income

Budget included interest on outstanding receivables.

#### 57.48 Other receipts

None.

#### 57.49 Suppliers and employees

Variance accepted as reasonable.

#### 57.50 Finance cost

Payments of interest on arrears (Eskom) and unforeseen increase in finance cost due to actuarial valuations of employee benefit obligations.

#### 57.51 Transfers and grants paid

No deviation from budget.

#### 57.52 Purchase of property, plant and equipment

Variance accepted as reasonable.

#### 57.53 Proceeds from sale of property, plant and equipment

None

#### 57.54 Proceeds from sale of investment property

Actual sale was unbudgeted for.

#### 57.55 Purchase of intangible assets

None.

#### 57.56 Increase in financial assets

Investment of surplus cash during the year.

#### 57.57 Increase in long term receivables

Variance accepted as reasonable.

# Randfontein Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 57. Budget differences (continued)

#### 57.58 Repayment of financial liabilities

Budget includes finance lease liabilities. No new financial liabilities were acquired during the year.

#### 57.59 Increase in consumer deposits

Consumer deposits were included in adjustments to operating deficit hence are not shown separately in the actual cash flow statement.

#### 57.60 Repayment of finance lease liabilities

Repayment of finance lease liabilities was budgeted for under financial liabilities hence the significant variance on other financial liabilities.

### 58. Change in estimate

#### Property, plant and equipment

The useful life of property, plant and equipment items on the asset register was revised on 1 July 2014. The effect of this revision has decreased the depreciation charges for the current period by R 2,390,004.73

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Annual Financial Statements for the year ended 30 June 2015

## Income Statement for Agricultural Activities

Figures in Rand	Note(s)	2015	2014
<b>Other income</b>			
Other farming income		163 024	731 802
<b>Operating expenses</b>			
Veterinary services and supplies		-	(228)
Other farming expenses		(141 438)	(590 629)
		<u>(141 438)</u>	<u>(590 857)</u>
<b>Operating surplus</b>		<u>21 586</u>	<u>140 945</u>
<b>Surplus before taxation from agricultural activities</b>		<u>21 586</u>	<u>140 945</u>

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\* See Note 48

**Randfontein Local Municipality**  
**Appendix A**

**Schedule of external loans as at 30 June 2015**

Loan Number	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Balance at 30 June 2015	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA	
							Rand	Rand
Development Bank of Southern Africa								
Development Bank of South Africa	61001399	8 655 934	-	1 456 340	7 199 594	-	-	-
Development Bank of South Africa	61001400	1 070 796	-	180 159	890 637	-	-	-
		<b>9 726 730</b>	<b>-</b>	<b>1 636 499</b>	<b>8 090 231</b>	<b>-</b>	<b>-</b>	<b>-</b>